ALEXANDRIA REAL ESTATE EQUITIES INC
Form 10-K
March 03, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

Commission file number 1-12993

ALEXANDRIA REAL ESTATE EQUITIES, INC.
(Exact name of registrant as specified in its charter)

Maryland	95-4502084
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

385 East Colorado Boulevard, Suite 299, Pasadena, California 91101
(Address of principal executive offices) (Zip code)

(626) 578-0777
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value per share	New York Stock Exchange
6.45% Series E Cumulative Redeemable Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ý

The aggregate market value of the shares of Common Stock held by non-affiliates of registrant was approximately $4.6 billion based on the closing price for such shares on the New York Stock Exchange on June 28, 2013.

As of February 20, 2014, 71,641,272 shares of common stock were outstanding.

Documents Incorporated by Reference

Part III of this annual report on Form 10-K incorporates certain information by reference from the registrant's definitive proxy statement to be filed within 120 days of the end of the fiscal year covered by this annual report on Form 10-K in connection with the registrant's annual meeting of stockholders to be held on or about May 29, 2014.

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PART I

Certain information and statements included in this annual report on Form 10-K, including, without limitation, statements containing the words “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “estimates,” “antic “projects,” or “guidance,” or the negative of these words or similar words, constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements involve inherent risks and uncertainties regarding events, conditions, and financial trends that may affect our future plans of operations, business strategy, results of operations, and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by the forward-looking statements, including, but not limited to, the description of risks and uncertainties in “Item 1A. Risk Factors” in this annual report on Form 10-K. Additional information regarding risk factors that may affect us is included under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this annual report on Form 10-K. Readers of our annual report on Form 10-K should also read our Securities and Exchange Commission (“SEC”) and other publicly filed documents for further discussion regarding such factors.

As used in this annual report on Form 10-K, references to the “Company,” “Alexandria,” “we,” “our,” and “us” refer to Alexandria Real Estate Equities, Inc. and its consolidated subsidiaries. The following discussion should be read in conjunction with the consolidated financial statements and the accompanying notes appearing elsewhere in this annual report on Form 10-K. References to “GAAP” used herein refer to United States generally accepted accounting principles.

ITEM 1. BUSINESS

Overview

We are a self-administered and self-managed real estate investment trust (“REIT”). We are the largest and leading REIT focused principally on owning, operating, developing, redeveloping, and acquiring high-quality, sustainable real estate for the broad and diverse life science industry. Founded in 1994, Alexandria pioneered the laboratory/office niche and has become the leading life science real estate brand and dominant market presence in the top life science clusters, including Greater Boston, the San Francisco Bay Area, San Diego, Greater New York City, Maryland, Seattle, and Research Triangle Park. Alexandria manages its properties through fully integrated regional and life science teams with unparalleled real estate and life science expertise. As the Landlord of Choice to the Life Science Industry®, Alexandria is known for its high-quality and diverse client tenant base. Our high-credit client tenants span the life science industry, including renowned academic and medical institutions, multinational pharmaceutical companies, public and private biotechnology entities, United States (“U.S.”) government research agencies, medical device companies, industrial biotech companies, venture capital firms, and life science product and service companies. Alexandria has a proven and superior track record of developing Class A laboratory/office assets focused primarily in key urban science and technology center campuses in AAA cluster locations adjacent to leading academic medical research centers, and offering highly creative amenities that drive client tenant productivity and foster innovation. We believe these advantages result in higher occupancy levels, longer lease terms, higher rental income, higher returns, and greater long-term value. We executed our initial public offering in 1997 and received our investment-grade ratings in 2011.

As of December 31, 2013, Alexandria’s asset base consisted of 30.9 million square feet, including 17.5 million rentable square feet (“RSF”) of operating and value-creation development/redevelopment assets, as well as land supporting an additional 13.4 million square feet of ground-up development projects. The occupancy percentage of our operating properties was approximately 94.4% as of December 31, 2013. Investment-grade client tenants represented 51% of our total annualized base rent ("ABR") as of December 31, 2013. The comparability of financial data from period to period is affected by the timing of our property acquisition, development, and redevelopment activities.

Business objective and strategies

Our primary business objective is to maximize long-term asset value based on a multifaceted platform of internal and external growth. Key elements of our strategy are our consistent focus on Class A laboratory/office assets and operations focused primarily in key urban science and technology center campuses in AAA life science cluster locations adjacent to life science entities driving growth and technological advances within each cluster. These key urban science and technology center campus locations are characterized by high barriers to entry for new landlords, high barriers to exit for client tenants, and a limited supply of available space. They represent highly desirable locations for tenancy by life science entities because of their close proximity to concentrations of specialized skills, knowledge, institutions, and related businesses. Our strategy also includes drawing upon our deep and broad life science and real estate relationships in order to identify and attract new and leading life science client tenants and to source additional value-creation real estate.

The following chart summarizes the growth of the ABR of our assets in our key cluster submarkets:

Our client tenant base is broad and diverse within the life science industry and reflects our focus on regional, national, and international client tenants with substantial financial and operational resources. For a more detailed description of our properties and client tenants, see “Item 2. Properties.” We have an experienced Board of Directors and are led by a senior management team with extensive experience in both the real estate and life science industries.

Acquisitions

We seek to identify and acquire high-quality life science properties in our target life science cluster markets. Critical evaluation of prospective property acquisitions is an essential component of our acquisition strategy. When evaluating acquisition opportunities, we assess a full range of matters relating to the prospective property or properties, including:

Adjacency to centers of innovation and technological advances;
Location of the property and our strategy in the relevant market;
Quality of existing and prospective client tenants;
Condition and capacity of the building infrastructure;
Quality and generic characteristics of the laboratory facilities;
Physical condition of the structure and common area improvements;
Opportunities available for leasing vacant space and for re-tenanting occupied space;
Availability of land for future ground-up development of new laboratory/office space; and
Opportunities to redevelop existing space into higher-rent, generic, and reusable laboratory/office space.

Development

A key component of our long-term business model is ground-up development projects. Our development strategy is primarily to pursue selective projects with significant pre-leasing where we expect to achieve appropriate investment returns and generally match a source of funds for this use. Our ground-up development projects focus primarily on investment in generic and reusable laboratory/office improvements, rather than tenant-specific improvements.

Redevelopment

Another key component of our long-term business model is the redevelopment of existing office, warehouse, or shell space into generic and reusable laboratory/office space that can be leased at higher rates. Our redevelopment strategy includes significant pre-leasing of certain projects prior to the commencement of redevelopment.

Balance sheet and financial strategy

We seek to maximize balance sheet liquidity and flexibility, cash flows, and cash available for distribution to our stockholders through the ownership, operation, management, and selective acquisition, development, and redevelopment of life science properties, as well as management of our balance sheet. In particular, we seek to maximize balance sheet liquidity and flexibility, cash flows, and cash available for distribution by:

- Maintaining significant liquidity through borrowing capacity under our unsecured senior line of credit, available commitments under secured construction loans, and cash and cash equivalents;
- Minimizing the amount of near-term debt maturities in a single year;
- Maintaining low to modest leverage;
- Minimizing variable interest rate risk;
- Maintaining strong and stable operating cash flows;
- Renewing existing client tenant space at higher rental rates to the extent possible;
- Minimizing tenant improvement costs;
- Improving investment returns through leasing of vacant space and replacing existing client tenants with new client tenants at higher rental rates;
- Maintaining solid occupancy while also maintaining high lease rental rates;
- Realizing contractual rental rate escalations, which are currently provided for in approximately 95% of our leases (on an RSF basis);
- Implementing effective cost control measures, including negotiating pass-through provisions in client tenant leases for operating expenses and certain capital expenditures;
- Selectively selling real estate assets, primarily non-income-producing land parcels;
- Selectively acquiring high-quality life science properties in our target life science cluster markets at prices that enable us to realize attractive returns;
- Selectively developing properties in our target life science cluster markets; and
- Selectively redeveloping existing office, warehouse, or shell space, or newly acquired properties, into generic laboratory/office space that can be leased at higher rental rates in our target life science cluster markets.

Client tenants

Key Information	December 31, 2013	
Total leases	527	
Total client tenants	425	
Total properties	180	
Single-tenant properties	79	
Percentage of single-tenant properties	43.9	%
Percentage of aggregate ABR from three largest client tenants:		
Novartis AG	6.7	%
Illumina, Inc.	3.9	%
New York University	3.8	%
Total percentage of aggregate ABR from three largest client tenants	14.4	%

Competition

In general, other life science properties are located in close proximity to our properties. The amount of rentable space available in any market could have a material effect on our ability to rent space and on the rents that we can earn. In addition, we compete for investment opportunities with other REITs, insurance companies, pension and investment funds, private equity entities, partnerships, developers, investment companies, and owners/occupants. Many of these entities have substantially greater financial resources than we do and may be able to invest more than we can or accept more risk than we are willing to accept. These entities may be less sensitive to risks with respect to the creditworthiness of a client tenant or the geographic concentration of their investments. In addition, as a result of their financial resources, our competitors may offer more free rent concessions, lower rental rates, or higher tenant improvement allowances, in order to attract tenants. These leasing incentives could hinder our ability to maintain or raise rents and attract or retain tenants. Competition may also reduce the number of suitable investment opportunities available to us or may increase the bargaining power of property owners seeking to sell. Competition in acquiring existing properties and land, both from institutional capital sources and from other REITs, has been very strong over the past several years. However, we believe we have differentiated ourselves from our competitors, as we are the first publicly traded REIT to focus primarily on the life science real estate niche; we are the largest owner, manager, and developer of life science properties, in key life science markets; and we have the most important relationships in the life science industry. See “Item 1A. Risk Factors – We may be unable to identify and complete acquisitions and successfully operate required properties” and “Item 1A. Risk Factors – We face substantial competition in our target markets.”

Financial information about our operating segment

See Note 2, Basis of Presentation and Summary of Significant Accounting Policies, to our consolidated financial statements for information about our operating segment.

Regulation

General

Properties in our markets are subject to various laws, ordinances, and regulations, including regulations relating to common areas. We believe we have the necessary permits and approvals to operate each of our properties.

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Americans with Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990 (the "ADA"), to the extent that such properties are "public accommodations" as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to incur substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and make alterations as appropriate in this respect. See "Item 1A. Risk Factors - We may incur significant costs complying with the Americans with Disabilities Act and similar laws."

Environmental matters

Under various environmental protection laws, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at that property, and may be required to investigate and clean up contamination located on or emanating from that property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. Previous owners used some of our properties for industrial and other purposes, so those properties may contain some level of environmental contamination. The presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability or may materially adversely affect our ability to sell, lease, or develop the real estate or to borrow using the real estate as collateral.

Some of our properties may have asbestos-containing building materials. Environmental laws require that asbestos-containing building materials be properly managed and maintained, and may impose fines and penalties on building owners or operators for failure to comply with these requirements. These laws may also allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos-containing building materials.

In addition, some of our client tenants routinely handle hazardous substances and wastes as part of their operations at our properties. Environmental laws and regulations subject our client tenants, and potentially us, to liability resulting from these activities or from previous uses of those properties. Environmental liabilities could also affect a client tenant's ability to make rental payments to us. We require our client tenants to comply with these environmental laws and regulations. See "Item 1A. Risk Factors - We could be held liable for damages resulting from our client tenants' use of hazardous materials."

Independent environmental consultants have conducted Phase I or similar environmental site assessments on the properties in our portfolio. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties, and do not generally include soil samplings, subsurface investigations, or an asbestos survey. To date, these assessments have not revealed any material environmental liability that we believe would have a material adverse effect on our business, assets, or results of operations. Nevertheless, it is possible that the assessments on our properties have not revealed all environmental conditions, liabilities, or compliance concerns, which may have arisen after the review was completed or may arise in the future; and future laws, ordinances, or regulations may impose material additional environmental liability. See "Item 1A. Risk Factors - We may incur significant costs complying with environmental laws."

Insurance

We carry comprehensive liability, fire, extended coverage, and rental loss insurance with respect to our properties. We select policy specifications and insured limits that we believe to be appropriate given the relative risk of loss, the cost of the coverage, and industry practice. In the opinion of management, the properties in our portfolio are currently adequately insured. In addition, we have obtained earthquake insurance for certain properties located in the vicinity of known active earthquake faults. We also carry environmental remediation insurance and title insurance on our properties. We generally obtain our title insurance policies when we acquire the property, with each policy covering an amount equal to the initial purchase price of each property. Accordingly, any of our title insurance policies may be in an amount less than the current value of the related property. See "Item 1A. Risk Factors – Our insurance may not adequately cover all potential losses."

Available information

Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, including any amendments to the foregoing reports, are available, free of charge, through our corporate website at www.are.com as soon as is reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The current charters of our Board of Directors' Audit, Compensation, and Nominating & Governance Committees, along with the Company's corporate governance guidelines and Business Integrity Policy and Procedures for Reporting Non-Compliance (the "Business Integrity Policy"), are available on our corporate website. Additionally, any amendments to, and waivers of, our Business Integrity Policy that apply to our Chief Executive Officer and Chief Financial Officer will be available free of charge on our corporate website in accordance with applicable SEC and New York Stock Exchange ("NYSE") requirements. Written requests should be sent to Alexandria Real Estate Equities, Inc., 385 East Colorado Boulevard, Suite 299, Pasadena, California 91101, Attention: Investor Relations. Further, a copy of this annual report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The public may also download these materials from the SEC's website at www.sec.gov.

Employees

As of December 31, 2013, we had 215 full-time employees. We believe that we have good relations with our employees. We have adopted a Business Integrity Policy that applies to all of our employees. Its receipt and review by each employee is documented and verified annually.

ITEM 1A. RISK FACTORS

The following risk factors may adversely affect our overall business, financial condition, results of operations, cash flow, ability to make distributions to our stockholders, access to capital, or the market price of our common stock, as further described in each risk factor below. In addition to the information set forth in this annual report on Form 10-K, one should carefully review and consider the information contained in our other reports and periodic filings that we make with the SEC. Those risk factors could materially affect our overall business, financial condition, results of operations, cash flow, ability to make distributions to our stockholders, access to capital, or the market price of our common stock. The risks that we describe in our public filings are not the only risks that we face. Additional risks and uncertainties not presently known to us, or which we currently consider immaterial, also may materially adversely affect our business, financial condition, and results of operations.

A global financial crisis, high structural unemployment, and other events or circumstances beyond the control of the Company may adversely affect its industry, business, results of operations, contractual commitments, and access to capital.

What began initially in 2007 and 2008 as a "subprime" mortgage crisis turned into an extraordinary U.S. and worldwide structural economic and financial crisis coupled with the rapid decline of the consumer economy. From 2008 through 2010, significant concerns over energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market, and a declining real estate market in the U.S. contributed to increased volatility, diminished expectations for the economy and the markets, and high levels of structural unemployment by historical standards. These factors, combined with volatile oil prices and fluctuating business and consumer confidence, precipitated a steep economic decline. From 2011 through 2013, the economy showed signs of improvement, but recovery has been slow and volatile. Further, severe financial and structural strains on the banking and financial systems have led to significant lack of trust and confidence in the global credit and financial system. Consumers and money managers have liquidated and may liquidate equity investments, and consumers and banks have held and may hold cash and other lower-risk investments, resulting in significant and, in some cases, catastrophic declines in the equity capitalization of companies and failures of financial institutions. Although U.S. bank earnings and liquidity are on the rebound, the potential of significant future bank credit losses creates uncertainty for the lending outlook. Additionally, job growth remains sluggish, and sustained high unemployment can further hinder economic growth.

Recent financial and economic trouble in emerging-market economies may adversely impact the U.S. and global economies.

Since the beginning of 2014, several emerging-market economies, including Argentina, Venezuela, Ukraine, Hungary, and Thailand are experiencing severe economic and political turmoil. Other emerging economies, including India, Indonesia, Brazil, Turkey, and South Africa are also reporting significant economic issues including fiscal deficits, falling growth rates, above target-inflation and political uncertainty from upcoming legislative and/or presidential elections. It is not possible to predict whether this economic and political turmoil might negatively impact the developed economies around the world, including the U.S. If these macro-economic and political issues are not managed appropriately, they could lead to currency, sovereign debt or banking crises and other financial turmoil and uncertainty. Continued adverse economic conditions could have a material adverse effect on our business, financial condition, and results of operations.

Negative impact on economic growth resulting from the combination of federal income tax increases, debt policy, and government spending restrictions may adversely affect our results of operations.

Global macroeconomic conditions affect our client tenants’ businesses. Developments such as the recent recession and instability in the banking and government sectors of the U.S. and Europe, and/or the negative impact on economic growth resulting from the combination of government tax increases, debt policy, and spending restrictions, may have an adverse effect on our revenue growth and profitability. Volatile, negative, or uncertain economic conditions could undermine business confidence in our significant markets or in other markets and cause our client tenants to reduce or defer their spending, which would negatively affect our business. Growth in the markets we serve could be at a slow rate, or could stagnate or contract, in each case, for an extended period of time. Differing economic conditions and patterns of economic growth and contraction in the geographic regions in which we operate and the industries we serve may in the future affect demand for our services. A material portion of our revenues and profitability is derived from our client tenants in North America. Ongoing economic volatility and uncertainty affects our business in a number of other ways, including making it more difficult to accurately forecast client demand beyond the short term and effectively build our revenue and spending plans. Economic volatility and uncertainty are particularly challenging because it may take some time for the effects and resulting changes in demand patterns to manifest themselves in our business and results of operations. Changing demand patterns from economic volatility and uncertainty could have a significant negative impact on our results of operations. These risks may impact our overall liquidity, our borrowing costs, or the market price of our common stock.

Failure of the U.S. federal government to manage its fiscal matters or to raise or further suspend the debt ceiling, and changes in the amount of federal debt, may negatively impact the economic environment and adversely impact our results of operations.

The Budget Control Act of 2011 provides for a reduction of $1.1 trillion of U.S. federal government discretionary spending over the next decade through a series of automatic across-the-board spending cuts known as sequestration. Although the American Taxpayer Relief Act of 2012, which was enacted on January 2, 2013, delayed the effective date of sequestration to provide an additional opportunity for the U.S. Congress and the President to agree on alternative deficit reduction options, sequestration went into effect on March 1, 2013, and will remain in effect in the absence of further legislative action.

The U.S. federal government has established a limit on the level of federal debt that the U.S. federal government can have outstanding, often referred to as the debt ceiling. U.S. federal debt is expected to reach the current debt ceiling in the coming months. The U.S. Congress has authority to raise the debt ceiling, and has done so in the past. For example, in 2011, the U.S. Congress raised the debt ceiling by enacting the Budget Control Act of 2011, resulting in sequestration and the lowering of the credit rating of the U.S. federal government. More recently, the U.S. Congress temporarily increased the debt ceiling following a partial shutdown of the U.S. federal government in October 2013. Absent an increase in, or suspensions to, the debt ceiling in 2014, the U.S. federal government may partially shut down again and/or default on its existing loans as a result of reaching the debt ceiling.

An inability of the U.S. federal government to manage its fiscal matters, reduce the duration and scope of sequestration, or manage its debt may result in the loss of economic confidence domestically and globally, reduce investment spending, increase borrowing costs, impact availability and cost of capital, and significantly reduce economic activity. Furthermore, a failure by the U.S. federal government to enact appropriate fiscal legislation may significantly impact the national and global economic and financial environment and affect our business and the businesses of our client tenants. If economic conditions severely deteriorate as a result of government fiscal gridlock, our ability to lease space to our client tenants may be significantly impacted.

The downgrade of the U.S. credit rating and the economic crisis in Europe could negatively impact our liquidity, financial condition, and earnings.

Recent U.S. debt ceiling and budget deficit concerns, together with sovereign debt conditions in Europe, have increased the possibility of additional downgrades of sovereign credit ratings and economic slowdowns. Although U.S. lawmakers had passed legislation to raise the federal debt ceiling, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the U.S. from "AAA" to "AA+" in August 2011. The impact of this or any further downgrades to the U.S. government's sovereign credit rating, or its perceived creditworthiness, is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. In addition, certain European nations have recently experienced varying degrees of financial stress, including Greece, Ireland, Italy, Portugal, and Spain. Despite assistance packages to Greece, Ireland, Portugal, and Spain, and the creation of the European Financial Stability Facility and the European Financial Stabilisation Mechanism, we do not know whether the recent sovereign financial difficulties within the European Union governments will reemerge with a higher degree of negative impact to the financial markets. Market concerns over the direct and indirect exposure of European banks and insurers to these European Union peripheral nations have resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. There can be no assurance that government or other measures to aid economic recovery will be effective. These developments, and the U.S. government's credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, the lowered credit rating could create broader financial turmoil and uncertainty, which may exert downward pressure on the market price of our common stock. Continued adverse economic conditions could have a material adverse effect on our business, financial condition, and results of operations.

Monetary policy actions by the Federal Reserve could adversely impact our financial condition and our ability to make distributions to our stockholders.

In recent years, various monetary policies undertaken by the Federal Reserve have involved quantitative easing, which involves open market transactions by monetary authorities to stimulate economic activity through the purchase of assets with longer maturities than short-term government bonds. Among other things, quantitative easing is intended to create or maintain a low-interest-rate environment and to stimulate economic activity.

In May 2013, the financial markets began interpreting comments by members of the Federal Reserve, including its chairman, that its quantitative easing would begin to be reduced sometime in 2013. The Federal Reserve commenced the so-called "tapering" of quantitative easing in January 2014 and may cease quantitative easing entirely in 2014, depending upon, among other factors, the Federal Reserve's assessment of the performance of the U.S. economy. Because of expectations for near-term tapering of quantitative easing, the markets experienced an abrupt transition to higher long-term interest rates in May and June 2013, and market interest rates may continue to rise if the Federal Reserve follows through with its current tapering policy. Increases in market interest rates would increase our interest expense under our unhedged variable rate borrowings and would increase the costs of refinancing existing indebtedness or obtaining new debt. In addition, increases in market interest rates may result in a decrease in the value of our real estate and a decrease in the market price of our common stock. Increases in market interest rates may also adversely affect the securities markets generally, which could reduce the market price of our common stock without regard to our operating performance. Accordingly, unfavorable changes to our borrowing costs and stock price could significantly impact our ability to raise new debt and equity capital going forward.

Changes in laws, regulations, and financial accounting standards may adversely affect our reported results of operations.

As a response, in large part, to perceived abuses and deficiencies in current regulations believed to have caused or exacerbated the recent global financial crisis, legislative, regulatory, and accounting standard-setting bodies around the world are engaged in an intensive, wide-ranging examination and rewriting of the laws, regulations, and accounting standards that have constituted the basic playing field of global and domestic business for several decades. In many jurisdictions, including the U.S., the legislative and regulatory response has included the extensive reorganization of existing regulatory and rule-making agencies and organizations, and the establishment of new agencies with broad powers. This reorganization has disturbed longstanding regulatory and industry relationships and established procedures.

The rule-making and administrative efforts have focused principally on the areas perceived as having contributed to the financial crisis, including banking, investment banking, securities regulation, and real estate finance, with spillover impacts on many other areas. These initiatives have created a degree of uncertainty regarding the basic rules governing the real estate industry and many other businesses that is unprecedented in the U.S. at least since the wave of lawmaking, regulatory reform, and government reorganization that followed the Great Depression.

The global financial crisis and the aggressive government and accounting profession reaction thereto have occurred against a backdrop of increasing globalization and internationalization of financial and securities regulation that began prior to the recent financial crisis. As a result of this ongoing trend, financial and investment activities previously regulated almost exclusively at a local or national level are increasingly being regulated, or at least coordinated, on an international basis, with national rule-making and standard-setting groups relinquishing varying degrees of local and national control to achieve more uniform regulation and reduce the ability of market participants to engage in regulatory arbitrage between jurisdictions. This globalization trend has continued, arguably with an increased sense of urgency and importance, since the financial crisis.

This high degree of regulatory uncertainty, coupled with considerable additional uncertainty regarding the underlying condition and prospects of global, domestic, and local economies, has created a business environment that makes business planning and projections even more uncertain than is ordinarily the case for businesses in the financial and real estate sectors.

In the commercial real estate sector in which we operate, the uncertainties posed by various initiatives of accounting standard-setting authorities to fundamentally rewrite major bodies of accounting literature constitute a significant source of uncertainty as to the basic rules of business engagement. Changes in accounting standards and requirements, including the potential requirement that U.S. public companies prepare financial statements in accordance with international standards, proposed lease and investment property accounting standards, and the adoption of accounting standards likely to require the increased use of "fair value" measures, may have a significant effect on our financial results and on the results of our client tenants, which would have a secondary impact on us. New accounting pronouncements and interpretations of existing pronouncements are likely to continue to occur at an accelerated pace as a result of recent Congressional and regulatory actions and continuing efforts by the accounting profession itself to reform and modernize its principles and procedures.

Although we have not been as directly affected by the wave of new legislation and regulation as banks and investment banks, we may also be adversely affected by new or amended laws or regulations; by changes in federal, state, or foreign tax laws and regulations; and by changes in the interpretation or enforcement of existing laws and regulations. In the U.S., the financial crisis and continuing economic slowdown prompted a variety of legislative, regulatory, and accounting profession responses.

The federal legislative response culminated in the enactment on July 21, 2010, of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The Dodd-Frank Act contains far-reaching provisions that substantially revise, or provide for the revision of, longstanding, fundamental rules governing the banking and investment banking industries, and provide for the broad restructuring of the regulatory authorities in these areas. The Dodd-Frank Act has resulted in, and is expected to continue to result in, profound changes in the ground rules for financial business activities in the U.S.

To a large degree, the impacts of the legislative, regulatory, and accounting reforms to date are still not clear. Many of the provisions of the Dodd-Frank Act have extended implementation periods and delayed effective dates and will require extensive rule making by regulatory authorities. While we do not currently expect the Dodd-Frank Act to have a significant direct effect on us, the Dodd-Frank Act's impact on us may not be known for an extended period of time. The Dodd-Frank Act, including current and future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial or real estate industries or affecting taxation that are proposed or pending in the U.S. Congress, may limit our revenues, impose fees or taxes on us, and/or intensify the regulatory framework within which we operate in ways that are not currently identifiable. The Dodd-Frank Act also has resulted in, and is expected to continue to result in, substantial changes and dislocations in the banking industry and the financial services sector in ways that could have significant effects on, for example, the availability and pricing of unsecured credit, commercial mortgage credit, and derivatives, such as interest rate swaps, which are important aspects of our business. Accordingly, new laws, regulations, and accounting standards, as well as changes to, or new interpretations of, currently accepted accounting practices in the real estate industry may adversely affect our results of operations.

The enactment of the Dodd-Frank Act will subject us to substantial additional federal regulation, and we cannot predict the effect of such regulation on our business, results of operations, cash flows, or financial condition.

There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act that have required, and continue to require, the SEC to adopt additional rules and regulations in these areas. For example, the Dodd-Frank Act requires publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called “golden parachute” payments. Our efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management’s time from other business activities. In addition, provisions of the Dodd-Frank Act that directly affect other participants in the real estate and capital markets, such as banks, investment funds, and interest rate hedge providers, could have indirect, but material, impacts on our business that cannot now be predicted. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by various regulatory agencies and through regulations, the full extent of the impact such requirements will have on our operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of business activities, require changes to certain business practices, or otherwise adversely affect our business.

Changes in the system for establishing U.S. accounting standards may result in adverse fluctuations in our reported asset and liability values and earnings, and may materially and adversely affect our reported results of operations.

Accounting for public companies in the U.S. has historically been conducted in accordance with GAAP as established by the Financial Accounting Standards Board (“FASB”), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The International Accounting Standards Board (“IASB”) is a London-based independent board established in 2001 and charged with the development of International Financial Reporting Standards (“IFRS”). IFRS generally reflects accounting practices that prevail in Europe and in developed nations in other parts of the world.

IFRS differs in material respects from GAAP. Among other things, IFRS has historically relied more on “fair value” models of accounting for assets and liabilities than GAAP. “Fair value” models are based on periodic revaluation of assets and liabilities, often resulting in fluctuations in such values as compared to GAAP, which relies more frequently on historical cost as the basis for asset and liability valuation.

The SEC released a final report on its IFRS work plan, which indicates the SEC still needs to analyze and consider whether IFRS should be incorporated into the U.S. financial reporting system. It is unclear at this time how and when the SEC will propose that GAAP and IFRS be harmonized if the decision to incorporate is adopted. In addition, incorporating a new method of accounting and adopting IFRS will be a complex undertaking. We may need to develop new systems and controls based on the principles of IFRS. Since these are new endeavors, and the precise requirements of the pronouncements ultimately adopted are not now known, the magnitude of costs associated with this conversion is uncertain.

We are currently evaluating the impact of the adoption of IFRS on our financial position and results of operations. Such evaluation cannot be completed, however, without more clarity regarding the specific proposed standards that will be adopted. Until there is more certainty with respect to the standards to be adopted, prospective investors should consider that our conversion to IFRS could have a material adverse impact on our reported results of operations.

Changes in financial accounting standards related to accounting for leases and investments in real estate may adversely impact us.

The regulatory boards and government agencies which determine financial accounting standards and disclosures in the U.S., including the FASB and the IASB (collectively, the “Boards”) and the SEC, continually change and update the financial accounting standards we must follow. Currently, the Boards are considering, among other items, proposed changes to the following:

The accounting standards for leases for both lessees and lessors; and
The accounting standards for investments in real estate.

These proposals may or may not ultimately be implemented by the Boards. If some or all of the current proposals were to become final standards, our balance sheet, results of operations, or market price of common stock could be significantly impacted. Such potential impacts include, without limitation:

Significant changes to our balance sheet relating to the recognition of operating leases as assets or liabilities based on existing lease terms and whether we are the lessor or lessee;

Significant fluctuations in our reported results of operations, including fluctuations in our expenses related to amortization of new lease-related assets and/or liabilities and assumed interest costs with leases; and
The recognition of gains and losses from mark-to-market valuation changes in investments in real estate.

Changes in lease accounting standards could also potentially impact the structure and terms of future leases since our client tenants may seek to limit lease terms to avoid recognizing lease obligations on their financial statements.

Changes in financial accounting standards may adversely impact our financial debt covenants.

Certain debt agreements, including those related to our unsecured senior line of credit and unsecured senior bank term loans, contain financial covenants whose calculations are based on current GAAP. Our unsecured senior notes payable contain financial covenants that are calculated based on GAAP at the date the bonds were issued. Our unsecured senior line of credit and unsecured senior bank term loan agreements provide that our financial debt covenants be renegotiated in good faith to preserve the original intent of the existing financial covenant when such covenant is affected by an accounting standard change. For those debt agreements that require the renegotiation of financial covenants upon changes in accounting standards, there is no assurance that we will be successful in such negotiations or that the renegotiated covenants will not be more restrictive to us.

Current levels of market volatility are unprecedented.

The capital and credit markets have experienced volatility and disruption for several years. In some cases, the markets have produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers' underlying financial and/or operating strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our business, financial condition, and results of operations. Disruptions, uncertainty, or volatility in the capital markets may also limit our access to capital from financial institutions on favorable terms, or altogether, and our ability to raise capital through the issuance of equity securities could be adversely affected by causes beyond our control through ongoing extraordinary disruptions in the global economy and financial systems or other events.

We may not be able to obtain additional capital to further our business objectives.

Our ability to acquire, develop, or redevelop properties depends upon our ability to obtain capital. The real estate industry has recently experienced volatile debt and equity capital markets with periods of extreme illiquidity. A prolonged period in which we cannot effectively access the public equity or debt markets may result in heavier reliance on alternative financing sources to undertake new investments. An inability to obtain equity or debt capital on acceptable terms could delay or prevent us from acquiring, financing, and completing desirable investments, and could otherwise adversely affect our business. Also, the issuance of additional shares of capital stock or interests in subsidiaries to fund future operations could dilute the ownership of our then-existing stockholders. Even as liquidity returns to the market, debt and equity capital may be more expensive than in prior years.

Possible future sales of shares of our common stock could adversely affect its market price.

We cannot predict the effect, if any, of future sales of shares of our common stock on the market price of our common stock from time to time. Sales of substantial amounts of capital stock (including the conversion or redemption of preferred stock), or the perception that such sales may occur, could adversely affect prevailing market prices for our common stock.

We have reserved a number of shares of common stock for issuance to our directors, officers, and employees pursuant to our Amended and Restated 1997 Stock Award and Incentive Plan (sometimes referred to herein as our equity incentive plan). We have filed a registration statement with respect to the issuance of shares of our common stock pursuant to grants under our equity incentive plan. In addition, any shares issued under our equity incentive plan will be available for sale in the public market from time to time without restriction by persons who are not our "affiliates" (as defined in Rule 144 adopted under the Securities Act). Affiliates will be able to sell shares of our common stock subject to restrictions under Rule 144.

The price per share of our stock may fluctuate significantly.

The market price per share of our common stock may fluctuate significantly in response to many factors, including, but not limited to:

The availability and cost of debt and/or equity capital;
The condition of our balance sheet;
Actual or anticipated capital requirements;
The condition of the financial and banking industries;
Actual or anticipated variations in our quarterly operating results or dividends;
The amount and timing of debt maturities and other contractual obligations;
Changes in our funds from operations ("FFO"), adjusted funds from operations ("AFFO"), or earnings estimates;
The publication of research reports about us, the real estate industry, or the life science industry;
The general reputation of REITs and the attractiveness of their equity securities in comparison to other debt or equity securities (including securities issued by other real estate-based companies);
General stock and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of our stock to demand a higher annual yield from future dividends;
Changes in our analyst ratings;
Changes in our corporate credit rating or credit ratings of our debt or other securities;
Changes in market valuations of similar companies;
Adverse market reaction to any additional debt we incur in the future;
Additions or departures of key management personnel;
Actions by institutional stockholders;
Speculation in the press or investment community;
Terrorist activity adversely affecting the markets in which our securities trade, possibly increasing market volatility and causing the further erosion of business and consumer confidence and spending;
Government regulatory action and changes in tax laws;
The realization of any of the other risk factors included in this annual report on Form 10-K; and
General market and economic conditions.

Many of the factors listed above are beyond our control. These factors may cause the market price of shares of our common stock to decline, regardless of our financial condition, results of operations, business, or prospects.

Failure to meet market expectations for our financial performance will likely adversely affect the market price and volatility of our stock.

Our expected results may not be achieved, and actual results may differ materially from our expectations. This may be a result of various factors, including, but not limited to:

The status of the economy;
The status of capital markets, including availability and cost of capital;
Changes in financing terms available to us;
Negative developments in the operating results or financial condition of client tenants, including, but not limited to, their ability to pay rent;
Our ability to re-lease space at similar rates as vacancies occur;
Our ability to reinvest sale proceeds in a timely manner at rates similar to those of assets sold;
Regulatory approval and market acceptance of the products and technologies of life science client tenants;
Liability or contract claims by or against client tenants;

Unanticipated difficulties and/or expenditures relating to future acquisitions;
Environmental laws affecting our properties;
Changes in rules or practices governing our financial reporting; and
Other legal and operational matters, including REIT qualification and key management personnel recruitment and retention.

Failure to meet market expectations, particularly with respect to FFO per share, AFFO per share, earnings estimates, operating cash flows, and revenues, will likely result in a decline and/or increased volatility in the market price of our common stock or other outstanding securities.

Our debt service obligations may have adverse consequences on our business operations.

We use debt to finance our operations, including the acquisition, development, and redevelopment of properties. Our use of debt may have adverse consequences, including the following:

Our cash flow from operations may not be sufficient to meet required payments of principal and interest;
We may be forced to dispose of one or more of our properties, possibly on disadvantageous terms, to make payments on our debt;
We may default on our debt obligations, and the lenders or mortgagees may foreclose on our properties that secure those loans;
A foreclosure on one of our properties could create taxable income without any accompanying cash proceeds to pay the tax;
A default under a mortgage loan that has cross-default provisions may cause us to automatically default on another loan;
We may not be able to refinance or extend our existing debt;
The terms of any refinancing or extension may not be as favorable as the terms of our existing debt;
We may be subject to a significant increase in the variable interest rates on our unsecured senior line of credit and unsecured senior bank term loans and certain other borrowings, which could adversely impact our cash flows and operations; and
The terms of our debt obligations may require a reduction in our distributions to stockholders.

We may not be able to refinance our debt and/or our debt may not be assumable.

Due to the high volume of real estate debt financing in recent years, the real estate industry may require more funds to refinance debt maturities than are available from lenders. This potential shortage of available funds from lenders and stricter credit underwriting guidelines may limit our ability to refinance our debt as it matures, our cash flows, or our ability to make distributions to our stockholders, or may adversely affect our financial condition, our results of operations, and the market price of our common stock.

Adverse changes in our credit ratings could negatively affect our financing ability.

Our credit ratings may affect the amount of capital we can access, as well as the terms and pricing of any debt we may incur. There can be no assurance that we will be able to maintain our current credit ratings. In the event that our current credit ratings are downgraded or removed, we would most likely incur higher borrowing costs and experience greater difficulty in obtaining additional financing, which would in turn have a material adverse impact on our financial condition, results of operations, and liquidity.

We may not be able to borrow additional amounts through the issuance of unsecured bonds.

There is no assurance that we will be able to access the investment-grade unsecured bond market on favorable terms while we maintain our investment-grade ratings. Our ability to borrow additional amounts through the issuance of unsecured bonds may be negatively impacted by periods of illiquidity in the bond market. Our inability to borrow additional amounts through the issuance of unsecured bonds will require us to borrow under other arrangements and could delay or prevent us from acquiring, financing, and completing desirable investments, which could adversely affect our business, cash flows, ability to make distributions to our stockholders, financial condition, and results of operations.

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We may not be able to borrow additional amounts under our unsecured senior line of credit and unsecured senior bank term loans.

Aggregate unsecured borrowings under our unsecured senior line of credit and unsecured senior bank term loans are limited to an amount based primarily on the net operating income (“NOI”) derived from a pool of unencumbered properties and the cost basis of certain of our land and construction projects and compliance with certain financial and non-financial covenants. Borrowings under our unsecured senior line of credit and unsecured senior bank term loans are funded by a group of banks. Our ability to borrow additional amounts under our unsecured senior line of credit and unsecured senior bank term loans may be negatively impacted by a decrease in cash flows from our properties, a default or cross-default under our unsecured senior line of credit and unsecured senior bank term loans, non-compliance with one or more loan covenants, and non-performance or failure of one or more lenders under our unsecured senior line of credit and unsecured senior bank term loans. In addition, we may not be able to refinance or repay outstanding borrowings on our unsecured senior line of credit or unsecured senior bank term loans. Our inability to borrow additional amounts could delay or prevent us from acquiring, financing, and completing desirable investments, which could adversely affect our business; and our inability to refinance or repay amounts under our unsecured senior line of credit or unsecured senior bank term loans may adversely affect our cash flows, ability to make distributions to our stockholders, financial condition, and results of operations.

Our unsecured senior line of credit and unsecured senior bank term loans restrict our ability to engage in some business activities.

Our unsecured senior line of credit and unsecured senior bank term loans contain customary negative covenants and other financial and operating covenants that, among other things:

Restrict our ability to incur additional indebtedness;
Restrict our ability to make certain investments;
Restrict our ability to merge with another company;
Restrict our ability to make distributions to stockholders;
Require us to maintain financial coverage ratios; and
Require us to maintain a pool of unencumbered assets approved by the lenders.

These restrictions could cause us to default on our unsecured senior line of credit and unsecured senior bank term loans or could negatively affect our operations and our ability to make distributions to our stockholders.

We could become highly leveraged, and our debt service obligations could increase.

Our organizational documents do not limit the amount of debt that we may incur. Therefore, we could become highly leveraged. This would result in an increase in our debt service obligations that could adversely affect our cash flow and our ability to make distributions to our stockholders. Higher leverage could also increase the risk of default on our debt obligations.

If interest rates rise, our debt service costs will increase and the value of our properties may decrease.

Our unsecured senior line of credit, unsecured senior bank term loans, and certain other borrowings bear interest at variable rates, and we may incur additional debt in the future. Increases in market interest rates would increase our interest expense under these debt instruments and would increase the costs of refinancing existing indebtedness or obtaining new debt. Additionally, increases in market interest rates may result in a decrease in the value of our real estate and decrease the market price of our common stock. Accordingly, these increases could adversely affect our financial position and our ability to make distributions to our stockholders.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

The interest rate hedge agreements we use to manage some of our exposure to interest rate volatility involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing our exposure to changes in interest rates. These risk factors may lead to failure to hedge effectively against changes in interest rates and therefore may adversely affect our results of operations.

The adoption of derivatives legislation by the U.S. Congress could have an adverse impact on our ability to hedge risks associated with our business.

The Dodd-Frank Act regulates derivative transactions, which include certain instruments used in our risk management activities. The Dodd-Frank Act contemplates that most swaps will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility. There are some exceptions to these requirements for entities that use swaps to hedge or mitigate commercial risk. While we may ultimately be eligible for such exceptions, the scope of these exceptions is currently uncertain, pending further definition through rule-making proceedings. Among the other provisions of the Dodd-Frank Act that may affect derivative transactions are those relating to establishment of capital and margin requirements for certain derivative participants; establishment of business conduct standards, recordkeeping requirements, and reporting requirements; and imposition of position limits. Although the Dodd-Frank Act includes significant new provisions regarding the regulation of derivatives, the impact of those requirements will not be known definitively until all regulations have been adopted by the SEC and the Commodity Futures Trading Commission. The new legislation and any new regulations could increase the operational and transactional cost of derivatives contracts and affect the number and/or creditworthiness of hedge counterparties available to us.

The conversion rights of our convertible preferred stock may be detrimental to holders of common stock.

As of December 31, 2013, we had $250.0 million outstanding of our 7.00% series D cumulative convertible preferred stock (“Series D Convertible Preferred Stock”). Shares of Series D Convertible Preferred Stock may be converted into shares of our common stock, subject to certain conditions. As of December 31, 2013, the conversion rate for the Series D Convertible Preferred Stock was 0.2480 shares of our common stock per $25.00 liquidation preference, which was equivalent to a conversion price of approximately $100.81 per share of common stock. The conversion rate for the Series D Convertible Preferred Stock is subject to adjustments for certain events, including, but not limited to, certain dividends on our common stock in excess of $0.78 per share per quarter and dividends on our common stock payable in shares of our common stock. In addition, we may, at our option, be able to cause some or all of our Series D Convertible Preferred Stock to be automatically converted if the closing sale price per share of our common stock equals or exceeds 150% of the then-applicable conversion price of the Series D Convertible Preferred Stock for at least 20 trading days in a period of 30 consecutive trading days ending on the trading day immediately prior to our issuance of a press release announcing the exercise of our conversion option. Holders of our Series D Convertible Preferred Stock, at their option, may, at any time and from time to time, convert some or all of their outstanding shares.

The conversion of the Series D Convertible Preferred Stock into our common stock would dilute stockholder ownership in our company, and could adversely affect the market price of our common stock or impair our ability to raise capital through the sale of additional equity securities. Any adjustments that increase the conversion rate of the Series D Convertible Preferred Stock would increase their dilutive effect. Further, the conversion rights by the holders of the Series D Convertible Preferred Stock might be triggered in situations in which we need to conserve our cash reserves, in which event, our election, under certain conditions, to repurchase such Series D Convertible Preferred Stock in lieu of converting it into common stock might adversely affect us and our stockholders.

We are subject to risks and liabilities in connection with properties owned through partnerships, limited liability companies, and joint ventures.

Our organizational documents do not limit the amount of funds that we may invest in non-wholly owned partnerships, limited liability companies, or joint ventures. Partnership, limited liability company, or joint venture investments involve certain risks, including, but not limited to:

Upon bankruptcy of non-wholly owned partnerships, limited liability companies, or joint venture entities, we may become liable for the liabilities of the partnership, limited liability company, or joint venture;
We may share certain approval rights over major decisions with third parties;
We may be required to contribute additional capital if our partners fail to fund their share of any required capital contributions;
Our partners, co-members, or joint ventures might have economic or other business interests or goals that are inconsistent with our business interests or goals and that could affect our ability to operate the property or our ability to maintain our qualification as a REIT;
Our ability to sell the interest on advantageous terms when we so desire may be limited or restricted under the terms of our agreements with our partners; and
We may not continue to own or operate the interests or assets underlying such relationships or may need to purchase such interests or assets at an above market price to continue ownership.

We generally seek to maintain control of our partnerships, limited liability companies, and joint ventures sufficient to permit us to achieve our business objectives. However, we may not be able to do so, and the occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flow, or ability to make distributions to our stockholders, or the market price of our common stock.

We may not be able to sell our properties quickly to raise money.

Investments in real estate are relatively illiquid compared to other investments. Accordingly, we may not be able to sell our properties when we desire or at prices acceptable to us in response to changes in economic or other conditions. In addition, the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") limits our ability to sell properties held for less than two years. These limitations on our ability to sell our properties may adversely affect our cash flows, our ability to repay debt, and our ability to make distributions to our stockholders.

If our revenues are less than our expenses, we may have to borrow additional funds, and we may not be able to make distributions to our stockholders.

If our properties do not generate revenues sufficient to meet our operating expenses, including our debt service obligations and capital expenditures, we may have to borrow additional amounts to cover fixed costs and cash flow needs. This could adversely affect our ability to make distributions to our stockholders. Factors that could adversely affect the revenues we generate from, and the values of, our properties include:

National, local, and worldwide economic conditions;
Competition from other life science properties;
Changes in the life science industry;
Real estate conditions in our target markets;
Our ability to collect rent payments;
The availability of financing;
Changes to the financial and banking industries;
Changes in interest rate levels;
Vacancies at our properties and our ability to re-lease space;
Changes in tax or other regulatory laws;
The costs of compliance with government regulation;
The lack of liquidity of real estate investments; and
Increases in operating costs.

In addition, if a lease at a property is not a triple net lease, we will have greater expenses associated with that property and greater exposure to increases in such expenses. Significant expenditures, such as mortgage payments, real estate taxes and insurance, and maintenance costs, are generally fixed and do not decrease when revenues at the related property decrease.

Our distributions to stockholders may decline at any time.

We may not continue our current level of distributions to our stockholders. Our Board of Directors will determine future distributions based on a number of factors, including:

The amount of cash provided by operating activities available for distribution;
Our financial condition and capital requirements;
Any decision to reinvest funds rather than to distribute such funds;

Our capital expenditures;
The annual distribution requirements under the REIT provisions of the Internal Revenue Code;
Restrictions under Maryland law; and
Other factors our Board of Directors deems relevant.

A reduction in distributions to stockholders may negatively impact our stock price.

Distributions on our common stock may be made in the form of cash, stock, or a combination of both.

As a REIT, we are required to distribute at least 90% of our taxable income to our stockholders. Typically, we generate cash for distributions through our operations, the disposition of assets, or the incurrence of additional debt. Our Board of Directors may determine in the future to pay dividends on our common stock in cash, shares of our common stock, or a combination of cash and shares of our common stock. For example, we may declare dividends payable in cash or stock at the election of each stockholder, subject to a limit on the aggregate cash that could be paid. Any such dividend would be distributed in a manner intended to count in full toward satisfaction of our annual distribution requirements and to qualify for the dividends paid deduction. While the Internal Revenue Service ("IRS") privately has ruled that such a dividend would so qualify if certain requirements are met, no assurances can be provided that the IRS would not assert a contrary position in the future. Moreover, a reduction in the cash yield on our common stock may negatively impact our stock price.

We may be unable to identify and complete acquisitions and successfully operate acquired properties.

We continually evaluate the market of available properties and may acquire properties when opportunities exist. Our ability to acquire properties on favorable terms and successfully operate them may be exposed to the following significant risks:

We may be unable to acquire a desired property because of competition from other real estate investors with significant capital, including both publicly traded REITs and institutional investment funds;

Even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price or result in other less favorable terms;

Even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;

We may be unable to finance acquisitions on favorable terms or at all;

We may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;

We may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of operating properties or portfolios of properties, into our existing operations, and our results of operations and financial condition could be adversely affected;

Acquired properties may be subject to reassessment, which may result in higher-than-expected property tax payments;

Market conditions may result in higher-than-expected vacancy rates and lower-than-expected rental rates; and

We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for cleanup of undisclosed environmental contamination; claims by client tenants, vendors, or other persons dealing with the former owners of the properties; and claims for indemnification by general partners, directors, officers, and others indemnified by the former owners of the properties.

If we cannot finance property acquisitions on favorable terms, or operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flows, ability to make distributions to our stockholders, and ability to satisfy our debt service obligations, and the market price of our common stock, could be materially adversely affected.

We may suffer economic harm as a result of making unsuccessful acquisitions in new markets.

We may pursue selective acquisitions of properties in markets where we have not previously owned properties. These acquisitions may entail risks in addition to those we face in other acquisitions where we are familiar with the markets, such as the risk of not correctly anticipating conditions or trends in a new market and therefore not being able to generate profit from the acquired property. If this occurs, it could adversely affect our financial position, results of operations, cash flows, ability to make distributions to our stockholders, and ability to satisfy our debt service obligations, and the market price of our common stock.

The acquisition of new properties or the development of new properties may give rise to difficulties in predicting revenue potential.

We may continue to acquire additional properties and may seek to develop our existing land holdings strategically as warranted by market conditions. These acquisitions and developments could fail to perform in accordance with expectations. If we fail to accurately estimate occupancy levels, lease commencement dates, operating costs, or costs of improvements to bring an acquired property or a development property up to the standards established for our intended market position, the performance of the property may be below expectations. Acquired properties may have characteristics or deficiencies affecting their valuation or revenue potential that we have not yet discovered. We cannot assure our stockholders that the performance of properties acquired or developed by us will increase or be maintained under our management.

We may fail to obtain the financial results expected from development or redevelopment projects.
There are significant risks associated with development and redevelopment projects, including the possibility that:
We may not complete development or redevelopment projects on schedule or within budgeted amounts;
We may be unable to lease development or redevelopment projects on schedule or within budgeted amounts;
We may expend funds on and devote management’s time to development and redevelopment projects that we may not complete;
We may abandon development or redevelopment projects after we begin to explore them and as a result we may lose deposits or fail to recover costs already incurred;
Market and economic conditions may result in lower-than-expected rental rates;
We may face higher operating costs than we anticipated for development or redevelopment projects, including insurance premiums, utilities, real estate taxes, and costs of complying with changes in government regulations;
We may face higher requirements for capital improvements than we anticipated for development or redevelopment projects, particularly in older structures;
We may be unable to proceed with development or redevelopment projects because we cannot obtain debt and/or equity financing on favorable terms or at all;
We may fail to retain tenants that have pre-leased our development or redevelopment projects if we do not complete the construction of these properties in a timely manner or to the tenants’ specifications;
The bankruptcy or insolvency of tenants that have pre-leased our development or redevelopment projects may adversely affect the income produced by and the value of our properties; or may require us to change the scope of the project, potentially resulting in higher construction costs and lower financial returns;
We may encounter delays, refusals, unforeseen cost increases, and other impairments resulting from third-party litigation or severe weather conditions;
We may encounter delays or refusals in obtaining all necessary zoning, land use, building, occupancy, and other required government permits and authorizations; and
Development or redevelopment projects may have defects we do not discover through our inspection processes, including latent defects that may not reveal themselves until many years after we put a property in service.

The realization of any of the above risks could significantly and adversely affect our ability to meet our financial expectations, financial condition, results of operations, cash flows, ability to make distributions to our stockholders, the market price of our common stock, and our ability to satisfy our debt service obligations could be materially adversely affected.

Improvements to life science properties are significantly more costly than improvements to traditional office space.

Our properties contain infrastructure improvements that are significantly more costly than improvements to other property types. Although we have historically been able to recover the additional investment in infrastructure improvements through higher rental rates, there is the risk that we will not be able to continue to do so in the future. Typical improvements include:

Reinforced concrete floors;
Upgraded roof loading capacity;
Increased floor-to-ceiling heights;
Heavy-duty heating, ventilation, and air conditioning (“HVAC”) systems;
Enhanced environmental control technology;
Significantly upgraded electrical, gas, and plumbing infrastructure; and
Laboratory benches.

We could default on leases for land on which some of our properties are located or held for future development.

As of December 31, 2013, we held ground lease obligations that included leases for 29 properties that accounted for approximately 16% of our total number of properties and two land development parcels. Excluding one ground lease related to one operating property that expires in 2036 with a net book value of approximately $8.9 million at December 31, 2013, our ground lease obligations have remaining lease terms generally ranging from 40 to 100 years, including extension options. If we default under the terms of any particular ground lease, we may lose the ownership rights to the property subject to the lease. Upon expiration of a ground lease and all of its options, we may not be able to renegotiate a new lease on favorable terms, if at all. The loss of the ownership rights to these properties or an increase of rental expense could have a material adverse effect on our financial condition, results of operations, cash flow, and ability to satisfy our debt service obligations and pay distributions to our stockholders, as well as the market price of our common stock.

We may not be able to operate properties successfully.

Our success depends in large part upon our ability to operate our properties successfully. If we are unable to do so, our business could be adversely affected. The ownership and operation of real estate is subject to many risks that may adversely affect our business and our ability to make payments to our stockholders, including the risks that:

- Our properties may not perform as we expect;
- We may have to lease space at rates below our expectations;
- We may not be able to obtain financing on acceptable terms; and
- We may underestimate the cost of improvements required to maintain or improve space to meet standards established for the market position intended for that property.

If we encounter any of these risks, our business and our ability to make distributions to our stockholders could be adversely affected.

We may experience increased operating costs, which may reduce profitability.

Our properties are subject to increases in operating expenses including insurance, property taxes, utilities, administrative costs, and other costs associated with security, landscaping, and repairs and maintenance of our properties. As of December 31, 2013, approximately 94% of our leases (on an RSF basis) were triple net leases, requiring client tenants to pay substantially all real estate taxes and insurance, common area, and other operating expenses (including increases thereto) in addition to base rent. However, we cannot be certain that our client tenants will be able to bear the full burden of these higher costs, or that such increased costs will not lead them, or other prospective client tenants, to seek space elsewhere. If operating expenses increase, the availability of other comparable space in the markets we operate in may hinder or limit our ability to increase our rents; if operating expenses increase without a corresponding increase in revenues, our profitability could diminish and limit our ability to make distributions to our stockholders.

In order to maintain the quality of our properties and successfully compete against other properties, we must periodically spend money to maintain, repair, and renovate our properties, which reduces our cash flows.

If our properties are not as attractive to current and prospective client tenants in terms of rent, services, condition, or location as properties owned by our competitors, we could lose client tenants or suffer lower rental rates. As a result, we may from time to time be required to make significant capital expenditures to maintain the competitiveness of our properties. However, there can be no assurances that any such expenditures would result in higher occupancy or higher rental rates, or deter existing client tenants from relocating to properties owned by our competitors.

We face substantial competition in our target markets.

The significant competition for business in our target markets could have an adverse effect on our operations. We compete for investment opportunities with:

- Other REITs;
- Insurance companies;
- Pension and investment funds;
- Private equity entities;
- Partnerships;
- Developers;

Investment companies; and
Owners/occupants.

Many of these entities have substantially greater financial resources than we do and may be able to pay more than we can or accept more risk than we are willing to accept. These entities may be less sensitive to risks with respect to the creditworthiness of a client tenant or the geographic concentration of their investments. Competition may also reduce the number of suitable investment opportunities available to us or may increase the bargaining power of property owners seeking to sell.

Poor economic conditions in our markets could adversely affect our business.

Our properties are primarily located in the following markets:

- Greater Boston;
- San Francisco Bay Area;
- San Diego;
- Greater New York City;
- Maryland;
- Seattle;
- Research Triangle Park; and
- Canada.

As a result of our geographic concentration, we depend upon the local economic and real estate conditions in these markets. We are, therefore, subject to increased exposure (positive or negative) to economic, tax, and other competitive factors specific to markets in confined geographic areas. Our operations may also be affected if too many competing properties are built in any of these markets. An economic downturn in any of these markets could adversely affect our operations and our ability to make distributions to stockholders. We cannot assure our stockholders that these markets will continue to grow or remain favorable to the life science industry.

We are dependent on the life science industry, and changes within the industry may adversely impact our revenues from lease payments and results of operations.

In general, our business strategy is to invest primarily in properties used by client tenants in the life science industry. Our business could be adversely affected if the life science industry is impacted by an economic, financial, or banking crisis or if the life science industry migrates from the U.S. to other countries. Because of our industry focus, events within the life science industry may have a more pronounced effect on our ability to make distributions to our stockholders than if we had more diversified investments. Also, some of our properties may be better suited for a particular life science industry client tenant and could require modification before we are able to re-lease vacant space to another life science industry client tenant. Generally, our properties may not be suitable for lease to traditional office client tenants without significant expenditures on renovations.

Our ability to negotiate contractual rent escalations on future leases and to achieve increases in rental rates will depend upon market conditions and the demand for life science properties at the time the leases are negotiated and the increases are proposed.

Many life science entities have completed mergers or consolidations. Mergers or consolidations of life science entities in the future could reduce the amount of rentable square footage requirements of our client tenants and prospective client tenants, which may adversely impact our revenues from lease payments and results of operations.

Our inability to renew leases or re-lease space on favorable terms as leases expire may significantly affect our business.

Our revenues are derived primarily from rental payments and reimbursement of operating expenses under our leases. If a client tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely payments under its lease. Also, if our client tenants terminate early or decide not to renew their leases, we may not be able to re-lease the space. Even if client tenants decide to renew or lease space, the terms of renewals or new leases, including the cost of any tenant improvements, concessions, and lease commissions, may be less favorable to us than current lease terms. Consequently, we could generate less cash flow from the affected properties than expected, which could negatively impact our business. We may have to divert cash flow generated by other properties to meet our debt service payments, if any, or to pay other expenses related to owning the affected properties.

Our life science industry client tenants are subject to a number of risks unique to the life science industry, including (i) high levels of regulation, (ii) failures in the safety and efficacy of their products, (iii) significant funding requirements for product research and development, and (iv) changes in technology, patent expiration, and intellectual property protection. These risks, including the following, may adversely affect their ability to make rental payments to us or satisfy their other lease obligations, and consequently, may materially adversely affect our business, results of operations, financial condition, and stock price.

High levels of regulation

Drugs that are developed and manufactured by some of our client tenants require regulatory approval, including the approval of the U.S. Food and Drug Administration ("FDA"), prior to being made, marketed, sold, and used. The regulatory approval process to manufacture and market drugs is costly, typically takes several years, requires validation through clinical trials and the use of substantial resources, and is often unpredictable. A client tenant may fail to obtain or may experience significant delays in obtaining these approvals. Even if the client tenant obtains regulatory approvals, marketed products will be subject to ongoing regulatory review and potential loss of approvals.
The ability of some of our client tenants to commercialize any future products successfully will depend in part on the coverage and reimbursement levels set by government authorities, private health insurers, and other third-party payers. Additionally, reimbursements may decrease in the future.

Failures in the safety and efficacy of their products

Some of our client tenants developing potential products may find that their products are not effective, or even are harmful, when tested in humans.
Some of our client tenants are dependent upon the commercial success of certain products. Even if a product made by a client tenant is successfully developed and proven safe and effective in human clinical trials, and the requisite regulatory approvals are obtained, subsequent discovery of safety issues with these products could cause product liability events, additional regulatory scrutiny and requirements for additional labeling, loss of approval, withdrawal of products from the market, and the imposition of fines or criminal penalties.
A drug made by a client tenant may not be well accepted by doctors and patients, or may be less effective or accepted than a competitor's drug, even if it is successfully developed.
The negative results of safety signals arising from the clinical trials of the competitors of our client tenants may prompt regulatory agencies to take actions that may adversely affect the clinical trials or products of our client tenants.

Significant funding requirements for product research and development

Some of our client tenants require significant funding to develop and commercialize their products and technologies, which funding must be obtained from venture capital firms; private investors; the public markets; companies in the life science industry; or federal, state, and local governments. Such funding may become unavailable or difficult to obtain. The ability of each client tenant to raise capital will depend on its financial and operating condition and the overall condition of the financial, banking, and economic environment.
Even with sufficient funding, some of our client tenants may not be able to discover or identify potential drug targets in humans, or potential drugs for use in humans, or to create tools or technologies that are commercially useful in the discovery or identification of potential drug targets or drugs.
Some of our client tenants may not be able to successfully manufacture their drugs economically, even if such drugs are proven through human clinical trials to be safe and effective in humans.
Marketed products also face commercialization risk, and client tenants may never realize projected levels of product utilization or revenues.
Negative news regarding the products, the clinical trials, or other business developments of our client tenants may cause their stock price or credit profile to deteriorate.

Changes in technology, patent expiration, and intellectual property protection

Our client tenants sell products and services in an industry that is characterized by rapid and significant technological changes, frequent new product and service introductions and enhancements, evolving industry standards, and uncertainty over the implementation of new healthcare reform legislation, which may cause them to lose competitive positions and adversely affect their operations.

Some of our client tenants and their licensors require patent, copyright, or trade secret protection to develop, make, market, and sell their products and technologies. A client tenant may be unable to commercialize its products or technologies if patents covering such products or technologies are not issued, or are successfully challenged, narrowed, invalidated, or circumvented by third parties, or if the client tenant fails to obtain licenses to the discoveries of third parties necessary to commercialize its products or technologies.

We cannot assure our stockholders that our client tenants will be able to develop, make, market, or sell their products and technologies due to the risks inherent in the life science industry. Any client tenant that is unable to avoid, or sufficiently mitigate, the risks described above may have difficulty making rental payments to us or satisfying their other lease obligations to us. Such risks may also decrease the credit quality of our client tenants, or cause us to expend more funds and resources on the space leased by these client tenants than we originally anticipated. The increased burden on our resources due to adverse developments relating to our client tenants may cause us to achieve lower-than-expected yields on the space leased by these client tenants. Negative news relating to our more significant client tenants may also adversely impact our stock price.

Government changes to the healthcare system may have a negative impact on the pricing of drugs, cost of healthcare coverage, and reimbursement of healthcare services and products.

Life science entities are subject to extensive government regulation and oversight both in the U.S. and in foreign jurisdictions. The FDA and comparable agencies in other jurisdictions directly regulate many critical activities of life science and healthcare industries, including the conduct of preclinical and clinical studies, product manufacturing, advertising and promotion, product distribution, adverse event reporting, and product risk management. In both domestic and foreign markets, sales of life science industry products depend, in part, on the availability and amount of reimbursement by third-party payers, including governments and private health plans. Governments may regulate coverage, reimbursement, and pricing of products to control cost or affect utilization of products. Private health plans may also seek to manage cost and utilization by implementing coverage and reimbursement limitations. Substantial uncertainty exists regarding the reimbursement by third-party payers of newly approved healthcare products. The U.S. and foreign governments regularly consider reform measures that affect healthcare coverage and costs. Such reforms may include changes to the coverage and reimbursement of healthcare services and products. Government and other regulatory oversight and future regulatory and government interference with the healthcare systems may adversely impact our client tenants' businesses and our business.

Our results of operations depend on our client tenants' research and development efforts and their ability to obtain funding for these efforts.

Our client tenant base includes entities in the pharmaceutical, biotechnology, medical device, life science, and related industries; academic institutions; government institutions; and private foundations. Our client tenants base their research and development budgets on several factors, including the need to develop new products, the availability of government and other funding, competition, and the general availability of resources.

Research and development budgets fluctuate due to changes in available resources, research priorities, general economic conditions, institutional and government budgetary limitations, and mergers and consolidations of entities in the life science industry. Our business could be adversely impacted by a significant decrease in life science research and development expenditures by either our client tenants or the life science industry.

Additionally, our client tenants include research institutions whose funding is largely dependent on grants from government agencies such as the U.S. National Institutes of Health (“NIH”), the National Science Foundation, and similar agencies or organizations. Government funding of research and development is subject to the political process, which is often unpredictable. Other programs, such as Homeland Security or defense, could be viewed by the government as higher priorities. Additionally, proposals to reduce or eliminate budgetary deficits have sometimes included reduced allocations to the NIH and other government agencies that fund research and development activities. Any shift away from funding of life science research and development or delays surrounding the approval of government budget proposals may adversely impact our client tenants’ operations, which in turn may impact their ability to make lease payments to us, and thus adversely impact our results of operations.

The inability of a client tenant to pay us rent could adversely affect our business.

Our revenues are derived primarily from rental payments and reimbursement of operating expenses under our leases. If our client tenants, especially significant client tenants, fail to make rental payments under their leases, our financial condition, cash flows, and ability to make distributions to our stockholders could be adversely affected.

The bankruptcy or insolvency of a major client tenant may also adversely affect the income produced by a property. If any of our client tenants becomes a debtor in a case under the U.S. Bankruptcy Code, as amended, we cannot evict that client tenant solely because of its bankruptcy. The bankruptcy court may authorize the client tenant to reject and terminate its lease with us. Our claim against such a client tenant for uncollectible future rent would be subject to a statutory limitation that might be substantially less than the remaining rent actually owed to us under the client tenant's lease. Any shortfall in rent payments could adversely affect our cash flow and our ability to make distributions to our stockholders.

U.S. government client tenants may not receive government funding, which could hinder their ability to pay us.

U.S. government tenants are subject to government funding. If one of our U.S. government tenants fails to receive its government funding, we may not be able to collect rental amounts due to us. In addition, recent budgetary pressures have resulted in, and may continue to result in, reduced allocations to government agencies that fund research and development activities, such as the NIH. For instance, the NIH budget has been, and may continue to be, significantly impacted by the sequestration provisions of the Budget Control Act of 2011 that became effective on March 1, 2013. Past proposals to reduce budget deficits have included reduced NIH and other research and development budgets. Any shift away from the funding of life sciences research and development, or delays surrounding the approval of government budget proposals, may cause our client tenants to default on rental payments, or delay or forgo leasing our rental space, which could adversely affect our business, financial condition, or results of operations. In addition, defaults under leases with U.S. federal government tenants are governed by federal statute and not by state eviction or rent deficiency laws. As of December 31, 2013, leases with U.S. government tenants at our properties accounted for approximately 3.6% of our aggregate ABR.

Some of our client tenants may be subject to increasing government price controls and other healthcare cost-containment measures.

Government healthcare cost-containment measures can significantly affect our client tenants' revenue and profitability. In many countries outside the U.S., government agencies strictly control, directly or indirectly, the prices at which our pharmaceutical industry client tenants' products are sold. In the U.S., our pharmaceutical industry client tenants are subject to substantial pricing pressures from state Medicaid programs and private insurance programs and pharmacy benefit managers, and implementation of the recently enacted U.S. healthcare reform legislation is increasing these pricing pressures. In addition, many state legislative proposals could further negatively affect pricing and/or reimbursement for our pharmaceutical industry client tenants' products. We anticipate pricing pressures from both governments and private payers inside and outside the U.S. to become more severe over time.

We could be held liable for damages resulting from our client tenants' use of hazardous materials.

Many of our life science industry client tenants engage in research and development activities that involve controlled use of hazardous materials, chemicals, and biological and radioactive compounds. In the event of contamination or injury from the use of these hazardous materials, we could be held liable for damages that result. This liability could exceed our resources and any recovery available through any applicable insurance coverage, which could adversely affect our ability to make distributions to our stockholders.

Together with our client tenants, we must comply with federal, state, and local laws and regulations governing the use, manufacture, storage, handling, and disposal of hazardous materials and waste products. Failure to comply with these laws and regulations, or changes in them, could adversely affect our business or our client tenants' businesses and their ability to make rental payments to us.

Our properties may have defects that are unknown to us.

Although we review the physical condition of our properties before they are acquired, as they are developed and redeveloped, any of our properties may have characteristics or deficiencies unknown to us that could adversely affect the property's value or revenue potential.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the ADA, places of public accommodation and/or commercial facilities must meet federal requirements related to access and use by disabled persons. We may be required to make substantial capital expenditures at our properties to comply with this law. In addition, non-compliance could result in the imposition of fines or an award of damages to private litigants.

A number of additional federal, state, and local laws and regulations exist regarding access by disabled persons. These regulations may require modifications to our properties or may affect future renovations. These expenditures may have an adverse impact on overall returns on our investments.

We may incur significant costs if we fail to comply with laws or if laws change.

Our properties are subject to many federal, state, and local regulatory requirements and to state and local fire, life-safety, and other requirements. If we do not comply with all of these requirements, we may have to pay fines to government authorities or damage awards to private litigants. We do not know whether these requirements will change or whether new requirements will be imposed. Changes in these regulatory requirements could require us to make significant unanticipated expenditures. These expenditures could have an adverse effect on us and our ability to make distributions to our stockholders.

We may incur significant costs complying with environmental laws.

Federal, state, and local environmental laws and regulations may require us, as a current or prior owner or operator of real estate, to investigate and clean up hazardous or toxic substances or petroleum products released at or from any of our properties. The cost of investigating and cleaning up contamination could be substantial and could exceed the amount of any insurance coverage available to us. In addition, the presence of contamination, or the failure to properly clean it up, may adversely affect our ability to lease or sell an affected property, or to borrow funds using that property as collateral.

Under environmental laws and regulations, we may have to pay government entities or third parties for property damage and for investigation and cleanup costs incurred by those parties relating to contaminated properties regardless of whether we knew of or caused the contamination. Even if more than one party was responsible for the contamination, we may be held responsible for all of the cleanup costs. In addition, third parties may sue us for damages and costs resulting from environmental contamination, or jointly responsible parties may contest their responsibility or be financially unable to pay their share of such costs.

Environmental laws also govern the presence, maintenance, and removal of asbestos-containing materials. These laws may impose fines and penalties on us for the release of asbestos-containing materials and may allow third parties to seek recovery from us for personal injury from exposure to asbestos fibers. We have detected asbestos-containing materials at some of our properties, but we do not expect that they will result in material environmental costs or liabilities to us.

Environmental laws and regulations also require the removal or upgrading of certain underground storage tanks and regulate:

The discharge of stormwater, wastewater, and any water pollutants;
The emission of air pollutants;
The generation, management, and disposal of hazardous or toxic chemicals, substances, or wastes; and

Workplace health and safety.

Many of our client tenants routinely handle hazardous substances and wastes as part of their operations at our properties. Environmental laws and regulations subject our client tenants, and potentially us, to liability resulting from these activities. Environmental liabilities could also affect a client tenant’s ability to make rental payments to us. We require our client tenants to comply with these environmental laws and regulations and to indemnify us against any related liabilities.

Independent environmental consultants have conducted Phase I or similar environmental assessments at our properties. We intend to use consultants to conduct similar environmental assessments on our future acquisitions. This type of assessment generally includes a site inspection, interviews, and a public records review, but no subsurface sampling. These assessments and certain additional investigations of our properties have not to date revealed any environmental liability that we believe would have a material adverse effect on our business, assets, or results of operations.

Additional investigations have included, as appropriate:

Asbestos surveys;
Radon surveys;
Lead surveys;
Mold surveys;
Additional public records review;
Subsurface sampling; and
Other testing.

Nevertheless, it is possible that the assessments on our current properties have not revealed, and that assessments on future acquisitions will not reveal, all environmental liabilities. Consequently, there may be material environmental liabilities of which we are unaware that may result in substantial costs to us or our client tenants and that could have a material adverse effect on our business.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs to remedy the problem.

When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses, and bacteria. Indoor exposure to airborne toxins or irritants above certain levels may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our client tenants, employees of our client tenants, and others if property damage or health concerns arise.

We could incur significant costs due to the financial condition of our insurance carriers.

We insure our properties with insurance companies that we believe have a good rating at the time our policies are put into effect. The financial condition of one or more of the insurance companies that we hold policies with may be negatively impacted, resulting in their inability to pay on future insurance claims. Their inability to pay future claims may have a negative impact on our financial results. In addition, the failure of one or more insurance companies may increase the cost of renewing our insurance policies or increase the cost of insuring additional properties and recently developed or redeveloped properties.

Our insurance may not adequately cover all potential losses.

If we experience a loss at any of our properties that is not covered by insurance, that exceeds our insurance policy limits, or that is subject to a policy deductible, we could lose the capital invested in the affected property and, possibly, future revenues from that property. In addition, we could continue to be obligated on any mortgage indebtedness or other obligations related to the affected properties. We carry comprehensive liability, fire, extended coverage, and rental loss insurance with respect to our properties. We have obtained earthquake insurance for our properties that are located in the vicinity of active earthquake faults. We also carry environmental remediation insurance and have title insurance policies for our properties. We generally obtain our title insurance policies when we acquire the property; each policy covers an amount equal to the initial purchase price of each property. Accordingly, any of our title insurance policies may be in an amount less than the current value of the covered property.

Our client tenants are also required to maintain comprehensive insurance, including liability and casualty insurance that is customarily obtained for similar properties. There are, however, certain types of losses that we and our client tenants do not generally insure against because they are uninsurable or because it is not economical to insure against them. The availability of coverage against certain types of losses, such as from terrorism or toxic mold, has become more limited and, when available, carries a significantly higher cost. We cannot predict whether insurance coverage against terrorism or toxic mold will remain available for our properties because insurance companies may no longer offer coverage against such losses, or such coverage, if offered, may become prohibitively expensive. We have not had material problems with terrorism or toxic mold at any of our properties.

We face possible risks associated with the physical effects of climate change.

We cannot predict the rate at which climate change will progress. However, the physical effects of climate change could have a material adverse effect on our properties, operations, and business. For example, most of our properties are located along the east and west coasts of the U.S. To the extent that climate change impacts changes in weather patterns, our markets could experience increases in storm intensity and rising sea levels. Over time, these conditions could result in declining demand for laboratory/office space at our properties or result in our inability to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of, or availability of, property insurance on terms we find acceptable, increasing the cost of energy, and increasing the cost of snow removal at our properties. There can be no assurance that climate change will not have a material adverse effect on our properties, operations, or business.

Extreme weather or natural disasters may cause property damage or disrupt business, which could harm our business and operating results.

We have properties located in areas that may be subject to extreme weather and natural disasters, including, but not limited to, earthquakes, winds, floods, hurricanes, and fires. Such conditions may damage our properties, disrupt our operations, and adversely impact our client tenants' operations. There can be no assurance that such conditions will not have a material adverse effect on our properties, operations, or business.

Terrorist attacks may have an adverse impact on our business and operating results and could decrease the value of our assets.

Terrorist attacks such as those that took place on September 11, 2001, could have a material adverse impact on our business, our operating results, and the market price of our common stock. Future terrorist attacks may result in declining economic activity, which could reduce the demand for and the value of our properties. To the extent that future terrorist attacks impact our client tenants, their businesses similarly could be adversely affected, including their ability to continue to honor their lease obligations.

The loss of services of any of our senior officers could adversely affect us.

We depend upon the services of relatively few senior officers. The loss of services of any one of them may adversely affect our business, financial condition, and prospects. We use the extensive personal and business relationships that members of our management have developed over time with owners of life science properties and with major life science industry client tenants. We cannot assure our stockholders that our senior officers will remain employed with us.

Competition for skilled personnel could increase labor costs.

We compete with various other companies in attracting and retaining qualified and skilled personnel. We depend on our ability to attract and retain skilled management personnel who are responsible for the day-to-day operations of our company. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such additional costs by increasing the rates we charge client tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be adversely affected.

If we fail to qualify as a REIT, we would be taxed at corporate rates and would not be able to take certain deductions when computing our taxable income.

If, in any taxable year, we fail to qualify as a REIT:

- We would be subject to federal income tax on our taxable income at regular corporate rates;
- We would not be allowed a deduction for distributions to our stockholders in computing taxable income;
- Unless we were entitled to relief under the Internal Revenue Code, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification; and
- We would no longer be required by the Internal Revenue Code to make any distributions to our stockholders.

As a result of any additional tax liability, we may need to borrow funds or liquidate certain investments in order to pay the applicable tax. Accordingly, funds available for investment or distribution to our stockholders would be reduced for each of the years involved.

Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code to our operations and financial results, and the determination of various factual matters and circumstances not entirely within our control. There are only limited judicial or administrative interpretations of these provisions. Although we believe that we have operated in a manner so as to qualify as a REIT, we cannot assure our stockholders that we are or will remain so qualified.

In addition, although we are not aware of any pending tax legislation that would adversely affect our ability to operate as a REIT, new legislation, regulations, administrative interpretations, or court decisions could change the tax laws or interpretations of the tax laws regarding qualification as a REIT, or the federal income tax consequences of that qualification, in a manner that is adverse to our stockholders.

We may change our business policies without stockholder approval.

Our Board of Directors determines all of our material business policies, with management's input, including those related to our:

Status as a REIT;
Incurrence of debt and debt management activities;
Selective acquisition, development, and redevelopment activities;
Stockholder distributions; and
Other policies, as appropriate.

Our Board of Directors may amend or revise these policies at any time without a vote of our stockholders. A change in these policies could adversely affect our business and our ability to make distributions to our stockholders.

Failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, results of operations, financial condition, and stock price.

Pursuant to the Sarbanes-Oxley Act of 2002, we are required to provide a report by management on internal control over financial reporting, including management's assessment of the effectiveness of internal control. Changes to our business will necessitate ongoing changes to our internal control systems and processes. Internal control over financial reporting may not prevent or detect misstatement because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business, results of operations, and financial condition could be materially harmed, and we could fail to meet our reporting obligations and there could be a material adverse effect on our stock price.

Our business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures, and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war, and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional significant costs to remedy damages caused by such disruptions.

There are limits on the ownership of our capital stock under which a stockholder may lose beneficial ownership of its shares and that may delay or prevent transactions that might otherwise be desired by our stockholders.

In order for a company to qualify as a REIT under the Internal Revenue Code, not more than 50% of the value of its outstanding stock may be owned, directly or constructively, by five or fewer individuals or entities (as set forth in the Internal Revenue Code) during the last half of a taxable year. Furthermore, shares of the company's outstanding stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year.

In order for us to maintain our qualification as a REIT, among other things, our charter provides for an ownership limit, which prohibits, with certain exceptions, direct or constructive ownership of shares of stock representing more than 9.8% of the combined total value of our outstanding shares of stock by any person, as defined in our charter. Our Board of Directors, in its sole discretion, may waive the ownership limit for any person. However, our Board of Directors may not grant such waiver if, after giving effect to such waiver, we would be "closely held" under section 856(h) of the Internal Revenue Code. As a condition to waiving the ownership limit, our Board of Directors may require a ruling from the IRS or an opinion of counsel in order to determine our status as a REIT. Notwithstanding the receipt of any such ruling or opinion, our Board of Directors may impose such conditions or restrictions as it deems appropriate in connection with granting a waiver.

Our charter further prohibits transferring shares of our stock if such transfer would result in us being "closely held" under Section 856(h) of the Internal Revenue Code or would result in shares of our stock being owned by fewer than 100 persons.

The constructive ownership rules are complex and may cause shares of our common stock owned directly or constructively by a group of related individuals or entities to be constructively owned by one individual or entity. A transfer of shares to a person who, as a result of the transfer, violates these limits, shall be void, or the shares shall be exchanged for shares of excess stock and transferred to a trust, for the benefit of one or more qualified charitable organizations designated by us. In that case, the intended transferee will have only a right to share, to the extent of the transferee's original purchase price for such shares, in proceeds from the trust's sale of those shares and will effectively forfeit its beneficial ownership of the shares. These ownership limits could delay, defer, or prevent a transaction or a change in control that might involve a premium price for the holders of our common stock or that might otherwise be desired by such holders.

In addition to the ownership limit, certain provisions of our charter and bylaws may delay or prevent transactions that may be deemed to be desirable to our stockholders.

As authorized by Maryland law, our charter allows our Board of Directors to cause us to issue additional authorized but unissued shares of our common stock or preferred stock and to classify or reclassify unissued shares of common or preferred stock without any stockholder approval. Our Board of Directors could establish a series of preferred stock that could delay, defer, or prevent a transaction that might involve a premium price for our common stock or that might, for other reasons, be desired by our common stockholders, or a series of preferred stock that has a dividend preference that may adversely affect our ability to pay dividends on our common stock.

Our charter permits the removal of a director only upon a two-thirds majority of the votes entitled to be cast generally in the election of directors, and our bylaws require advance notice of a stockholder's intention to nominate directors or to present business for consideration by stockholders at an annual meeting of our stockholders. Our charter and bylaws also contain other provisions that may delay, defer, or prevent a transaction or change in control that involves a premium price for our common stock or that for other reasons may be desired by our stockholders.

External factors may adversely impact the valuation of investments.

We hold equity investments in certain publicly traded companies and privately held entities primarily involved in the life science industry. The valuation of these investments is affected by many external factors beyond our control, including, but not limited to, market prices, market conditions, the effect of healthcare reform legislation, prospects for favorable or unfavorable clinical trial results, new product initiatives, the manufacturing and distribution of new products, product safety and efficacy issues, and new collaborative agreements. Unfavorable developments with respect to any of these factors may have an adverse impact on the valuation of our investments.

We face risks associated with short-term liquid investments.

From time to time, we may have significant cash balances that we invest in a variety of short-term investments that are intended to preserve principal value and maintain a high degree of liquidity while providing current income. These investments may include (either directly or indirectly) obligations (including certificates of deposit) of banks, money market funds, treasury bank securities, and other short-term securities. Investments in these securities and funds are not insured against loss of principal. Under certain circumstances we may be required to redeem all or part of these securities or funds at less than par value. A decline in the value of our investments or delay or suspension of our right to redeem them may have a material adverse effect on our results of operations or financial condition and our ability to pay our obligations as they become due.

We have certain ownership interests outside the U.S. that may subject us to risks different from or greater than those associated with our domestic operations.

We have five operating properties in Canada as well as five operating properties and four development/redevelopment projects in Asia. Acquisition, development, redevelopment, ownership, and operating activities outside the U.S. involve risks that are different from those we face with respect to our domestic properties and operations. These risks include, but are not limited to:

- Adverse effects of changes in exchange rates for foreign currencies;
- Challenges and/or taxation with respect to the repatriation of foreign earnings or repatriation of proceeds from the sale of one or more of our foreign investments;
- Changes in foreign political, regulatory, and economic conditions, including regionally, nationally, and locally;
- Challenges in managing international operations;
- Challenges of complying with a wide variety of foreign laws and regulations, including those relating to real estate, corporate governance, operations, taxes, employment, and legal proceedings;
- Differences in lending practices;
- Differences in languages, cultures, and time zones; and
- Changes in applicable laws and regulations in the U.S. that affect foreign operations.

Our foreign investments are subject to taxation in foreign jurisdictions based on existing international tax treaties. We have invested in foreign markets under the assumption that our future earnings in each of those countries will be taxed at the current prevailing income tax rates. There are no guarantees that foreign governments will continue to honor existing tax treaties which we have relied upon for our foreign investments, or that the current income tax rates will not increase significantly, thus impacting our ability to repatriate our foreign investments and related earnings.

Investments in international markets may also subject us to risks associated with establishing effective controls and procedures to regulate the operations of new offices and to monitor compliance with U.S. laws and regulations, including the Foreign Corrupt Practices Act (“FCPA”) and similar foreign laws and regulations. The FCPA and similar applicable anti-corruption laws prohibit individuals and entities from corruptly offering, promising, authorizing, or providing payments or anything of value, directly or indirectly, to government officials in order to obtain, retain, or direct business. Failure to comply with these laws could subject us to civil and criminal penalties that could materially adversely affect our results of operations or the value of our international investments. In addition, if we fail to effectively manage our international operations, our overall financial condition, results of operations, and cash flow, and the market price of our common stock, could be adversely affected.

Further, we may in the future enter into agreements with non-U.S. entities that are governed by the laws of, and are subject to dispute resolution rules of, another country or region. In some cases, such a country or region might not have a forum that provides us an effective or efficient means for resolving disputes that may arise under these agreements.

We are subject to risks from potential fluctuations in exchange rates between the U.S. dollar and foreign currencies.

We have properties and operations in countries where the U.S. dollar is not the local currency and we thus are subject to international currency risk from the potential fluctuations in exchange rates between the U.S. dollar and the local currency. A significant decrease in the value of the Canadian dollar, Indian rupee, Chinese renminbi, or other currencies in countries where we may have an investment could materially affect our results of operations. We may attempt to mitigate such effects by borrowing in the local foreign currency in which we invest. Any international currency gain recognized with respect to changes in exchange rates may not qualify under the 75% gross income test or the 95% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT.

Security breaches through cyber-attacks, cyber-intrusions, or other methods could disrupt our information technology networks and related systems.

Risks associated with security breaches, whether through cyber-attacks or cyber-intrusions over the Internet, malware, computer viruses, attachments to e-mails, or other methods, against persons inside our organization, persons with access to systems inside our organization, the U.S. government, financial markets or institutions, or major businesses, including client tenants, could disrupt or disable networks and related systems, other critical infrastructures, and the normal operation of business. The risk of a security breach or disruption, particularly through cyber-attack or cyber-intrusion, including by computer hackers, foreign governments, and cyber-terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. Even though we may not be specifically targeted, cyber-attacks on the U.S. government, financial markets, financial institutions, or other major businesses, including client tenants, could disrupt our normal business operations and networks, which may in turn have a material adverse impact on our financial condition and results of operations.

IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations, including managing our building systems. They also may be critical to the operations of certain of our client tenants. Although we make efforts to maintain the security and integrity of these types of networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems, and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. While, to date, we have not experienced a cyber-attack or cyber-intrusion, we may be unable to anticipate or to implement adequate security barriers or other preventive measures. A security breach or other significant disruption involving our IT networks and related systems could:

- Disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our client tenants;
- Result in misstated financial reports, violations of loan covenants, missed reporting deadlines, and/or missed permitting deadlines;
- Result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- Result in the unauthorized access to, and destruction, loss, theft, misappropriation, or release of proprietary, confidential, sensitive, or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive, or otherwise harmful purposes and outcomes;
- Result in our inability to maintain the building systems relied upon by our client tenants for the efficient use of their leased space;
- Require significant management attention and resources to remedy any damages that result;
- Subject us to claims for breach of contract, damages, credits, penalties, or termination of leases or other agreements; or
- Damage our reputation among our client tenants and investors generally.

Any or all of the foregoing could have a material adverse effect on our results of operations, financial condition, and cash flows.

Changes in the method of determining the London Interbank Offered Rate (“LIBOR”) may adversely affect interest expense related to outstanding debt.

We hold certain instruments in our debt profile on which interest rates move in direct relation to LIBOR, depending on our selection of borrowing options. Beginning in 2008, concerns have been raised that some of the member banks surveyed by the British Bankers' Association (the "BBA") in connection with the calculation of daily LIBOR across a range of maturities and currencies may have underreported, overreported, or otherwise manipulated the interbank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that might have resulted from reporting interbank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with a number of their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations have been instigated by regulators and government authorities in various jurisdictions. Other member banks may also enter into such settlements with, or have proceedings brought by, their regulators or law enforcement agencies in the future. If manipulation of LIBOR occurred, it may have resulted in LIBOR having been artificially lower (or higher) than it would otherwise have been. Any such manipulation could have occurred over a substantial period of time.

On September 28, 2012, British regulators published a report on the review of LIBOR. The report concluded that LIBOR should be retained as a benchmark, but recommended a comprehensive reform of LIBOR, including replacing the BBA with a new independent administrator of LIBOR. Based on this report, final rules for the regulation and supervision of LIBOR by the Financial Conduct Authority (the "FCA") were published and came into effect on April 2, 2013 (the "FCA Rules"). In particular, the FCA Rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts-of-interest policy and appropriate systems and controls. On July 9, 2013, it was reported that NYSE Euronext had been awarded the contract to administer LIBOR beginning in 2014. It is not possible to predict the effect of the FCA Rules, any changes in the methods pursuant to which LIBOR is determined, the administration of LIBOR by NYSE Euronext, and any other reforms to LIBOR that will be enacted in the United Kingdom and elsewhere. In addition, any changes announced by the FCA, the BBA, or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which LIBOR is determined, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the level of the index. Fluctuation or discontinuation of LIBOR would affect our interest expense and earnings and the fair value of certain of our financial instruments. We rely on interest rate swaps to help mitigate our exposure to such interest rate risk, on a portion of our debt obligations. However, there is no assurance these arrangements will be effective in reducing our exposure to changes in interest rates.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

General

As of December 31, 2013, we had 180 properties containing approximately 17.5 million RSF of laboratory/office space. The occupancy percentage of our operating properties was approximately 94.4% as of December 31, 2013. The exteriors of our properties typically resemble traditional office properties, but the interior infrastructures are designed to accommodate the needs of life science industry client tenants. These improvements typically are generic to life science industry client tenants rather than being specific to a particular client tenant. As a result, we believe that the improvements have long-term value and utility and are usable by a wide range of life science industry client tenants. Laboratory improvements to our life science properties typically include:

- Reinforced concrete floors;
- Upgraded roof loading capacity;
- Increased floor-to-ceiling heights;
- Heavy-duty HVAC systems;
- Enhanced environmental control technology;
- Significantly upgraded electrical, gas, and plumbing infrastructure; and
- Laboratory benches.

As of December 31, 2013, we held a fee simple interest in each of our properties, except for 29 properties that accounted for approximately 16% of our total number of properties. Of the 29 properties, we held 14 properties in the Greater Boston market, five properties in the San Francisco Bay Area market, two properties in the San Diego market, two properties in the Greater New York City market, one property in the Maryland market, one property in the Research Triangle Park market, and four properties in the International market pursuant to ground leasehold interests. As of December 31, 2013, our asset base also contained two land parcels aggregating approximately 1.6 million developable square feet in India, which we held pursuant to ground leasehold interests. See further discussion in our consolidated financial statements and notes thereto in “Item 15. Exhibits and Financial Statement Schedules.”

As of December 31, 2013, we had 527 leases with a total of 425 client tenants, and 79, or 43.9%, of our 180 properties were single-tenant properties. Leases in our multi-tenant buildings typically have terms of four to 11 years, while the single-tenant building leases typically have terms of eight to 17 years. As of December 31, 2013:

- Investment-grade client tenants represented 51% of our total ABR;
- Approximately 94% of our leases (on an RSF basis) were triple net leases, requiring client tenants to pay substantially all real estate taxes, insurance, utilities, common area, and other operating expenses (including increases thereto) in addition to base rent;
- Approximately 95% of our leases (on an RSF basis) contained effective annual rent escalations that were either fixed (generally ranging from 3% to 3.5%) or indexed based on a consumer price index or other index; and
- Approximately 92% of our leases (on an RSF basis) provided for the recapture of certain capital expenditures (such as HVAC systems maintenance and/or replacement, roof replacement, and parking lot resurfacing) that we believe would typically be borne by the landlord in traditional office leases.

Our leases also typically give us the right to review and approve tenant alterations to the property. Generally, tenant-installed improvements to the properties are reusable generic laboratory/office improvements and remain our property after termination of the lease at our election. However, we are permitted under the terms of most of our leases to require that the client tenant, at its expense, remove certain non-generic improvements and restore the premises to its original condition.

LEED Certifications

We strive to maximize the environmental efficiency of our properties. We closely manage the different development, redevelopment, and operating stages of many of our properties, from design and construction to maintenance of the life cycle of our buildings to achieve environmentally responsible and resource-efficient assets. The Leadership in Energy and Environmental Design ("LEED") set of rating systems developed by the U.S. Green Building Council allows building owners to measure this efficiency. During 2013, we obtained LEED Gold certifications at seven projects. As of December 31, 2013, our asset base had 25 LEED Certified projects, including two LEED Platinum projects, 16 LEED Gold projects, and seven LEED Silver projects. Upon completion of an additional 21 in-process certifications, 50% of the total RSF (continuing operations) will be LEED Certified.

Location of properties

The locations of our properties are diversified among a number of top life science cluster submarkets. The following table sets forth, as of December 31, 2013, the total RSF and ABR of our properties in each of our existing markets (dollars in thousands):

	Rentable Square Feet					Number of Properties [1]	ABR [2]	
Market	Operating	Development	Redevelopment	Total	% Total			
Greater Boston	3,547,714	801,806	—	4,349,520	25 %	38	$145,671	29 %
San Francisco Bay Area	2,540,731	330,030	—	2,870,761	17	26	99,723	20
San Diego	2,727,937	—	55,213	2,783,150	16	36	88,778	18
Greater New York City	683,667	229,627	—	913,294	5	6	47,100	10
Maryland	2,155,346	—	—	2,155,346	13	29	48,816	10
Seattle	746,516	—	—	746,516	4	10	29,438	6
Research Triangle Park	1,025,786	—	—	1,025,786	6	15	21,491	4
Canada	1,103,507	—	—	1,103,507	6	5	9,595	2
Non-cluster markets	60,178	—	—	60,178	—	2	874	—
North America	14,591,382	1,361,463	55,213	16,008,058	92	167	491,486	99
Asia	858,570	465,456	44,660	1,368,686	8	9	5,719	1
Continuing operations	15,449,952	1,826,919	99,873	17,376,744	100	176	$497,205	100 %
Properties “held for sale”	84,286	—	—	84,286	—	4		
Total	15,534,238	1,826,919	99,873	17,461,030	100 %	180		

(1) Certain properties are pledged as security under our secured notes payable as of December 31, 2013. See “Schedule III - Consolidated Financial Statement Schedule of Rental Properties and Accumulated Depreciation of Alexandria Real Estate Equities, Inc.” in “Item 15. Exhibits and Financial Statement Schedules” for additional information on our properties, including encumbered properties.

(2) ABR means the annualized fixed base rental amount in effect as of December 31, 2013 (using rental revenue computed on a straight-line basis in accordance with GAAP). Represents ABR related to our operating RSF.

Client tenants

Our life science properties are leased to a diverse group of client tenants, with no client tenant accounting for more than 6.7% of our ABR. The following table sets forth information regarding leases with our 20 largest client tenants based upon ABR as of December 31, 2013 (dollars in thousands):

	Client Tenant	Remaining Lease Term in Years (1)	Aggregate RSF	Percentage of Aggregate Total RSF	ABR	Percentage of Aggregate ABR	Investment-Grade Ratings Fitch	Moody's	S&P
1	Novartis AG	3.4	692,256	4.0 %	$33,469	6.7 %	AA	Aa3	AA-
2	Illumina, Inc.	17.8	497,078	2.8	19,531	3.9	—	—	—
3	New York University	16.7	205,609	1.2	18,950	3.8	—	Aa3	AA-
4	Roche	6.1	409,734	2.3	18,671	3.8	AA	A1	AA
5	United States Government	9.5	399,633	2.3	17,790	3.6	AAA	Aaa	AA+
6	Bristol-Myers Squibb Company	7.0	419,624	2.4	15,840	3.2	A-	A2	A+
7	Biogen Idec Inc.	14.4	313,872	1.8	14,731	3.0	—	Baa2	A-
8	Eli Lilly and Company	9.9	257,119	1.5	14,563	2.9	A	A2	AA-
9	FibroGen, Inc.	9.9	234,249	1.3	14,197	2.9	—	—	—
10	GlaxoSmithKline plc	5.6	208,394	1.2	10,149	2.0	A+	A1	A+
11	Amgen Inc.	9.3	294,373	1.7	9,675	1.9	BBB	Baa1	A
12	Celgene Corporation	7.5	250,586	1.4	9,361	1.9	—	Baa2	BBB+
13	Massachusetts Institute of Technology	3.7	185,403	1.1	8,499	1.7	—	Aaa	AAA
14	The Regents of the University of California	7.7	188,654	1.1	7,787	1.6	AA+	Aa1	AA-
15	Alnylam Pharmaceuticals, Inc.	2.8	129,424	0.7	6,081	1.2	—	—	—
16	Gilead Sciences, Inc.	6.5	109,969	0.6	5,824	1.2	—	Baa1	A-
17	Pfizer Inc.	5.2	116,518	0.7	5,502	1.1	A+	A1	AA
18	Theravance, Inc. (2)	6.4	150,256	0.9	5,494	1.1	—	—	—
19	Partners HealthCare System, Inc.	13.4	101,035	0.6	5,350	1.1	AA	Aa2	AA
20	The Scripps Research Institute	2.9	101,775	0.6	5,200	1.0	AA+	Aa3	—
	Total/weighted average	8.7	5,265,561	30.2 %	$246,664	49.6 %			

(1) Represents weighted average term for multiple leases, if applicable, based on each client tenant's aggregate ABR in effect as of December 31, 2013.

(2) As of September 30, 2013, GlaxoSmithKline plc owned approximately 27% of the outstanding stock of Theravance, Inc.

Client tenant mix by ABR

Investment-grade client tenants represented:
51% of Alexandria's total ABR at December 31, 2013
82% of ABR from our top 20 client tenants at December 31, 2013

Summary of lease expirations

The following table summarizes information with respect to the lease expirations at our properties as of December 31, 2013:

Year of Lease Expiration	Number of Leases Expiring	RSF of Expiring Leases	Percentage of Aggregate Total RSF	ABR of Expiring Leases (per RSF)
2014	84 (1)	868,374 (1)	5.9 %	$29.31
2015	86	1,415,550	9.6 %	$30.74
2016	75	1,219,924	8.3 %	$32.58
2017	79	1,627,089	11.0 %	$28.21
2018	48	1,457,228	9.9 %	$40.12
2019	34	1,072,959	7.3 %	$34.72
2020	22	913,293	6.2 %	$38.49
2021	23	897,912	6.1 %	$37.06
2022	16	613,770	4.2 %	$28.94
2023	19	1,031,167	7.0 %	$34.83
Thereafter	28	2,711,173	18.4 %	$42.48

	2014 RSF of Expiring Leases					
Market	Leased	Negotiating/ Anticipating	Targeted for Redevelopment	Remaining Expiring Leases	Total (1)	ABR of Expiring Leases (per RSF)
Greater Boston	13,873	64,014	—	141,073	218,960	$40.28
San Francisco Bay Area	68,397	33,142	—	133,051	234,590	28.77
San Diego	—	—	67,015 (2)	50,194	117,209	12.15
Greater New York City	—	69,056	—	21,712	90,768	38.65
Maryland	8,867	16,241	—	89,950	115,058	24.22
Seattle	6,552	2,671	—	11,444	20,667	45.24
Research Triangle Park	—	8,013	—	19,714	27,727	21.66
Non-cluster markets	—	—	—	15,817	15,817	19.99
Asia	—	18,800	—	8,778	27,578	11.41 (3)
Total	97,689	211,937	67,015	491,733	868,374	$29.31
Percentage of expiring leases	11 %	24 %	8 %	57 %	100 %	

	2015 RSF of Expiring Leases					
Market	Leased	Negotiating/ Anticipating	Targeted for Redevelopment	Remaining Expiring Leases	Total (1)	ABR of Expiring Leases (per RSF)
Greater Boston	—	81,441	—	425,437	506,878	$42.04
San Francisco Bay Area	71,746	—	—	151,169	222,915	33.19
San Diego	—	—	48,880 (4)	172,457	221,337	22.31
Greater New York City	—	—	—	9,131	9,131	N/A

Maryland	—		35,224		—		158,740		193,964		20.29	
Seattle	—		—		—		40,821		40,821		27.88	
Research Triangle Park	—		31,776		—		184,645		216,421		20.51	
Non-cluster markets	—		—		—		3,508		3,508		18.27	
Asia	—		—		—		575		575		17.43	(3)
Total	71,746		148,441		48,880		1,146,483		1,415,550		$30.74	
Percentage of expiring leases	5	%	11	%	3	%	81	%	100	%		

(1) Excludes 13 month-to-month leases for 22,172 RSF.
Represents the square footage of 10121 Barnes Canyon Road, which was acquired in the third quarter of 2013.
(2) Upon rollover in the first quarter of 2014, this property will undergo conversion into high-tech office space through redevelopment. This redevelopment project is 100% pre-leased.
(3) Expirations relate to two properties with an average investment of $114 per RSF.
(4) Represents the square footage at 10151 Barnes Canyon Road, which was acquired in the third quarter of 2013. This property will undergo conversion into laboratory/office space through redevelopment upon rollover in the fourth quarter of 2015.

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Property listing

The following table provides certain information about our properties as of December 31, 2013 (dollars in thousands):

Market / Submarket / Address	Rentable Square Feet				Number of Properties	ABR	Occupancy Percentage	
	Operating	Development	Redevelopment	Total			Operating	Operating and Redevelopment
Greater Boston								
Cambridge/Inner Suburbs								
Alexandria Center™ at Kendall Square	973,464	388,270	—	1,361,734	6	$42,456	97.9 %	97.9 %
Alexandria Technology Square®	1,181,635	—	—	1,181,635	7	64,997	97.4	97.4
480 Arsenal Street	140,744	—	—	140,744	1	4,707	100.0	100.0
780/790 Memorial Drive	99,350	—	—	99,350	2	6,674	100.0	100.0
500 Arsenal Street	93,516	—	—	93,516	1	3,402	100.0	100.0
167 Sidney Street/99 Erie Street	54,549	—	—	54,549	2	2,631	100.0	100.0
79/96 Thirteenth Street Charlestown Navy Yard	25,309	—	—	25,309	1	620	100.0	100.0
Longwood Medical Area								
360 Longwood Avenue (Unconsolidated JV)	—	413,536	—	413,536	1	—	N/A	N/A
Route 128								
Alexandria Park at 128	343,882	—	—	343,882	8	7,985	87.3	87.3
19 Presidential Way	128,325	—	—	128,325	1	3,398	100.0	100.0
100 Beaver Street	82,330	—	—	82,330	1	1,949	85.7	85.7
285 Bear Hill Road	26,270	—	—	26,270	1	802	100.0	100.0
Route 495/Worcester								
111/130 Forbes Boulevard	155,846	—	—	155,846	2	1,415	100.0	100.0
20 Walkup Drive	91,045	—	—	91,045	1	649	100.0	100.0
306 Belmont Street & 350 Plantation Street	90,690	—	—	90,690	2	1,221	92.5	92.5
30 Bearfoot Road	60,759	—	—	60,759	1	2,765	100.0	100.0
Greater Boston	3,547,714	801,806	—	4,349,520	38	$145,671	96.8 %	96.8 %

Alexandria Center™ at Kendall Square: consists of buildings located at 75/125 and 225 Binney Street; 161 and 215 First Street; 150 Second Street; and 300 Third Street

Alexandria Technology Square®: consists of buildings located at 100, 200, 300, 400, 500, 600, and 700 Technology Square

Alexandria Park at 128: consists of buildings located at 3, 6 and 8 Preston Court; 29, 35, and 44 Hartwell Avenue; 35, 45, and 47 Wiggins Avenue; and 60 Westview Street

San Francisco Bay Area								
Mission Bay								
409/499 Illinois Street	234,249	222,780	—	457,029	2	$14,197	100.0 %	100.0 %

455 Mission Bay Boulevard South	210,398	—	—	210,398	1	9,414	100.0	100.0
1500 Owens Street	158,267	—	—	158,267	1	7,110	100.0	100.0
1700 Owens Street	157,340	—	—	157,340	1	9,283	100.0	100.0
South San Francisco								
Alexandria Technology Center – Gateway	448,175	—	—	448,175	6	16,324	97.0	97.0
249/259/269 East Grand Avenue	300,119	107,250	—	407,369	3	11,473	100.0	100.0
400/450 East Jamie Court	163,035	—	—	163,035	2	5,538	100.0	100.0
500 Forbes Boulevard	155,685	—	—	155,685	1	5,540	100.0	100.0
7000 Shoreline Court	136,395	—	—	136,395	1	4,299	99.8	99.8
341/343 Oyster Point Boulevard	107,960	—	—	107,960	2	2,895	87.1	87.1
Peninsula								
849/863 Mitten Road & 866 Malcolm Road	103,611	—	—	103,611	1	2,252	97.5	97.5
2425 Garcia Avenue & 2400/2450 Bayshore Parkway	98,964	—	—	98,964	1	2,658	85.0	85.0
3165 Porter Drive	91,644	—	—	91,644	1	3,884	100.0	100.0
75/125 Shoreway Road	82,815	—	—	82,815	1	2,058	100.0	100.0
3350 West Bayshore Road	60,000	—	—	60,000	1	1,919	100.0	100.0
2625/2627/2631 Hanover Street	32,074	—	—	32,074	1	879	60.6	60.6
San Francisco Bay Area	2,540,731	330,030	—	2,870,761	26	$99,723	97.7 %	97.7 %

Alexandria Technology Center – Gateway: consists of buildings located at 600, 630, 650, 681, 901, and 951 Gateway Boulevard

Property listing (continued)

Market / Submarket / Address	Rentable Square Feet Operating	Development	Redevelopment	Total	Number of Properties	ABR	Occupancy Percentage Operating	Operating and Redevelopment
San Diego								
Torrey Pines								
ARE Nautilus	241,191	—	—	241,191	4	$7,990	96.3 %	96.3 %
ARE Sunrise	215,931	—	—	215,931	3	7,894	98.1	98.1
ARE Spectrum	158,645	—	—	158,645	2	7,132	100.0	100.0
11119 North Torrey Pines Road	72,506	—	—	72,506	1	2,569	100.0	100.0
University Town Center								
5200 Illumina Way	497,078	—	—	497,078	1	19,531	100.0	100.0
10300 Campus Point Drive	449,759	—	—	449,759	1	15,783	96.1	96.1
ARE Esplanade	180,208	—	—	180,208	3	6,560	93.1	93.1
ARE Towne Centre	138,578	—	—	138,578	3	3,581	95.3	95.3
9880 Campus Point Drive	71,510	—	—	71,510	1	2,774	100.0	100.0
Sorrento Mesa								
5810/5820/6138/6150 Nancy Ridge Drive	143,996	—	—	143,996	2	2,816	72.9	72.9
ARE Portola	105,812	—	—	105,812	3	1,497	92.8	92.8
10121/10151 Barnes Canyon Road [1]	115,895	—	—	115,895	2	1,587	100.0	100.0
7330 Carroll Road	66,244	—	—	66,244	1	2,440	100.0	100.0
5871 Oberlin Drive	33,817	—	—	33,817	1	973	100.0	100.0
Sorrento Valley								